

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT  
COUNTY OF NEVADA  
GRASS VALLEY, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2020

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

JUNE 30, 2020

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JUNE 30, 2020

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FINANCIAL SECTION



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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Grass Valley Elementary School District  
Grass Valley, California

I have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Grass Valley Elementary School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Grass Valley Elementary School 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**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Grass Valley Elementary School District, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows 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 on pages 3 through 12, budgetary comparison information on pages 57 and 58 and accounting by employer for pensions on pages 59 and 60 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grass Valley Elementary School District's basic financial statements. The introductory, financial and statistical information listed as supplementary information in the table of contents as required by the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the California Education Audit Appeals Panel is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The introductory, financial and statistical information listed as supplementary information in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 my opinion, the introductory, financial and statistical information listed as supplementary information in the table of contents and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated January 8, 2021, on my consideration of Grass Valley Elementary School District's internal control over financial reporting and my 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 my 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 Grass Valley Elementary 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 Grass Valley Elementary School District's internal control over financial reporting and compliance.



MICHELLE M. HANSON  
Certified Public Accountant

January 8, 2021

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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The discussion and analysis of Grass Valley Elementary School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial performance, please read it in conjunction with the Independent Auditor's Report on page 1, notes to the basic financial statements and the District's financial statements, as listed in the table of contents.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999.

**FINANCIAL HIGHLIGHTS**

- The COVID-19 pandemic affected our community and led us on a journey none of us thought we would experience in our lifetime. Our community and families have experienced physical, emotional, health, and financial strains. Governor Gavin Newsom issued Executive Order N-26-20, ensuring state funding for schools even in the event of physical closure. Senate Bill 117 (Chapter 3, Statutes of 2020) was signed as a companion to the executive order for the purpose of preventing losses of attendance-based funding as a result of reductions in average daily attendance (ADA) due to COVID-19. This legislation shortened the period used to calculate ADA based apportionment to include all full school months from July 1, 2019 to February 29, 2020. The District's ADA decreased by 3 from 2018-2019 to 2019-2020.
  
- On March 13, 2020 the District made the difficult decision to close schools in order to slow the spread of the COVID-19 Virus. It was the hope of the District that schools would reopen before the end of the 2019-2020 school year, however the State of California continued its Stay-At-Home Order which kept the District closed for the remainder of the school year. The Governor's Executive Order N-26-20 provided continued funding to support schools during the period of closure. General Fund revenues exceeded expenditures by \$291 thousand, ending the year with available reserves of \$937 thousand. The increase was due to major shifts in spending due to the school closures. While salaries were still paid, there were savings in all other areas that reduced the District's expenditures.

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

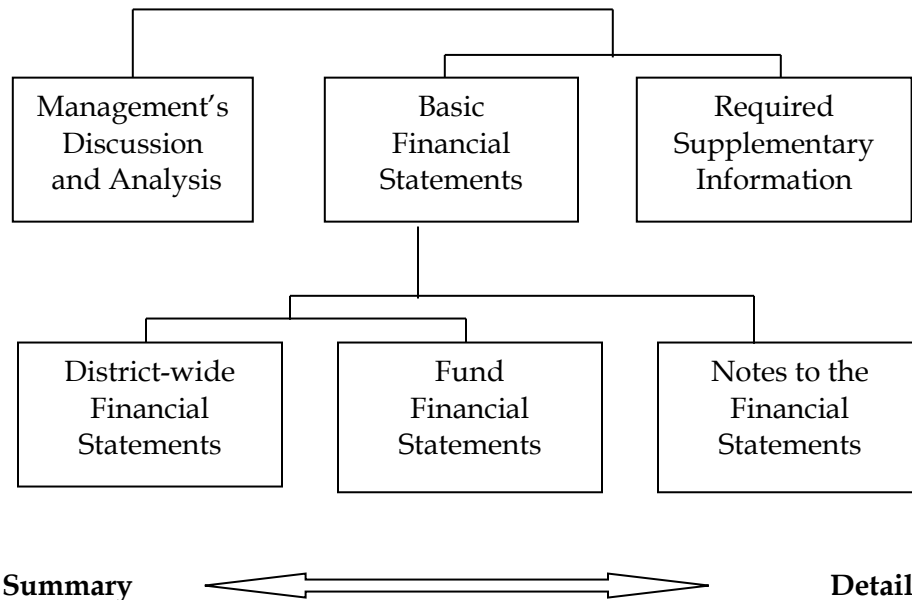
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. These statements are organized so the reader can understand the Grass Valley Elementary School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

**Components of the Financial Section**



The first two statements are *district-wide financial statements*, the Statement of Net Position and Statement of Activities. These statements provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's more significant funds with all other non-major funds presented in total in one column. Comparisons of the District's General Fund and Charter School Fund budgets are included.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Reporting the School District as a Whole**

*Statement of Net Position and the Statement of Activities*

These two statements provide information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities using the accrual basis of accounting. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the district as a whole and its activities in a way that helps answer the question, "How did we do financially during 2019-2020?"

These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Over time, the increases or decreases in the District's net position, as reported in the Statement of Activities, are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the District's operating results. However, the District's goal is to provide services to our students, not to generate profits as commercial entities. One must consider many other non-financial factors, such as the quality of education provided and the safety of the schools to assess the overall health of the District.

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

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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**OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)**

**Reporting the District's Most Significant Funds**

*Fund Financial Statements*

The fund financial statements provide more detailed information about the District's most significant funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by State law. However, the District establishes other funds to control and manage money for specific purposes.

◆ **Governmental Funds**

Most of the District's activities are reported in governmental funds. The major governmental funds of the District are the General Fund, the Charter School Fund, and the Building Fund. Governmental funds focus on how money flows into and out of the funds and the balances that remain at the end of the year. They are reported using an accounting method called modified accrual accounting, which 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 that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

◆ **Proprietary Funds**

Proprietary funds use the full accrual basis of accounting, the same as the District-wide statements. The District currently has one proprietary fund, a cafeteria enterprise fund. The cafeteria enterprise fund is used to account for the District's operations for providing school breakfast and lunches to the District and other Nevada County school districts.

◆ **Fiduciary Funds**

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

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS**

*The School District as a Whole*

The District's net position was a deficit \$10.5 million at June 30, 2020. Of this amount, a deficit \$19.2 million was unrestricted. Net investment in capital assets, account for \$7.6 million of the total net position. A comparative analysis of government-wide data is presented in Table 1.

**Comparative Statement of Net Position  
Table 1**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>ASSETS</b>						
Cash	\$ 13,579,877	\$ 20,840,121	\$ 36,817	\$ 45,202	\$ 13,616,694	\$ 20,885,323
Receivables	1,418,078	2,084,925	16,740	54,245	1,434,818	2,139,170
Prepaid expenditures		4,011		9,680		13,691
Stores inventory			33,022	38,470	33,022	38,470
Capital assets	17,297,387	9,046,987	17,269	23,667	17,314,656	9,070,654
Due from (to) other funds	38,848	(170,759)	(38,848)	170,759		0
Total Assets	<u>32,334,190</u>	<u>31,805,285</u>	<u>65,000</u>	<u>342,023</u>	<u>32,399,190</u>	<u>32,147,308</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows on pensions	<u>5,971,738</u>	<u>6,086,693</u>	<u>254,555</u>	<u>270,646</u>	<u>6,226,293</u>	<u>6,357,339</u>
<b>LIABILITIES</b>						
Accounts payable and other current liabilities	3,729,945	1,922,817	57,992	138,484	3,787,937	2,061,301
Unearned revenue	121,546	271,228			121,546	271,228
Unamortized bond premium	1,280,885	1,330,150			1,280,885	1,330,150
Long-term liabilities	41,574,857	41,391,441	801,384	758,875	42,376,241	42,150,316
Total Liabilities	<u>46,707,233</u>	<u>44,915,636</u>	<u>859,376</u>	<u>897,359</u>	<u>47,566,609</u>	<u>45,812,995</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows on pensions	<u>1,564,679</u>	<u>1,213,266</u>	<u>16,524</u>		<u>1,581,203</u>	<u>1,213,266</u>
<b>NET POSITION</b>						
Net investment in capital assets	7,543,897	6,777,090	17,269	23,667	7,561,166	6,800,757
Restricted	1,120,884	2,501,580			1,120,884	2,501,580
Unrestricted (deficit)	<u>(18,630,765)</u>	<u>(17,515,594)</u>	<u>(573,614)</u>	<u>(308,357)</u>	<u>(19,204,379)</u>	<u>(17,823,951)</u>
Total Net Position (Deficit)	<u>\$ (9,965,984)</u>	<u>\$ (8,236,924)</u>	<u>\$ (556,345)</u>	<u>\$ (284,690)</u>	<u>\$ (10,522,329)</u>	<u>\$ (8,521,614)</u>

The implementation of GASB 68 in the fiscal year ended June 30, 2015, resulted in a deficit net position.

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONTINUED)**

The District's net position decreased \$2.0 million on this fiscal year (See Table 2). The District's expenses for instructional and pupil services represented 73% of total expenses. The purely administrative activities of the District accounted for just 5% of total costs. The remaining 22% was spent in the areas of plant services and other expenses, interest on long-term debt and other outgo. (See Figure 2).

**Comparative Statement of Change in Net Position  
Table 2**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenues</b>						
Program revenues	\$ 4,917,197	\$ 5,608,859	\$ 952,391	\$ 1,077,286	\$ 5,869,588	\$ 6,686,145
General revenues						
Taxes levied for general purposes	11,280,223	10,773,332			11,280,223	10,773,332
Taxes levied for debt service	255,382	780,398			255,382	780,398
Taxes levied for specific purposes	73,208	69,774			73,208	69,774
Federal and State Aid not restricted to specific purposes	6,481,937	6,411,825			6,481,937	6,411,825
Interest and investment earnings	61,386	30,510	59	67	61,445	30,577
Miscellaneous	612,520	1,012,915			612,520	1,012,915
<b>Total revenues</b>	<b>23,681,853</b>	<b>24,687,613</b>	<b>952,450</b>	<b>1,077,353</b>	<b>24,634,303</b>	<b>25,764,966</b>
<b>Expenses</b>						
Instruction	14,014,645	13,438,748			14,014,645	13,438,748
Instruction related services	2,831,660	2,874,016			2,831,660	2,874,016
Pupil support services	2,329,847	2,289,644			2,329,847	2,289,644
General administration	1,478,096	1,400,084			1,478,096	1,400,084
Plant services	1,864,645	1,889,645			1,864,645	1,889,645
Ancillary services	155,124	169,123			155,124	169,123
Community services	866,556	884,869			866,556	884,869
Interest on long-term debt	746,940	580,767			746,940	580,767
Other outgo	729,447	1,195,400			729,447	1,195,400
Depreciation (unallocated)	393,953	263,311			393,953	263,311
Enterprise Activities		(13,857)	1,224,105	1,180,306	1,224,105	1,166,449
<b>Total expenses</b>	<b>25,410,913</b>	<b>24,971,750</b>	<b>1,224,105</b>	<b>1,180,306</b>	<b>26,635,018</b>	<b>26,152,056</b>
<b>Decrease in net position</b>	<b>\$ (1,729,060)</b>	<b>\$ (284,137)</b>	<b>\$ (271,655)</b>	<b>\$ (102,953)</b>	<b>\$ (2,000,715)</b>	<b>\$ (387,090)</b>

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

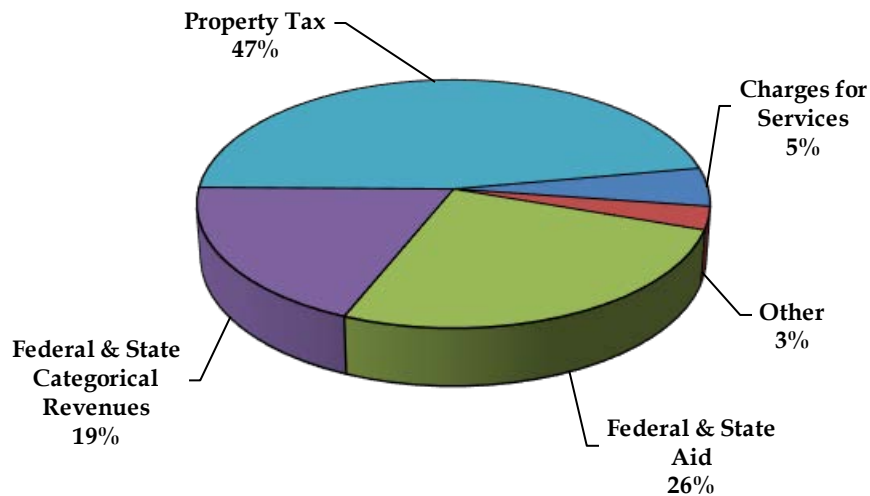
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**FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONCLUDED)**

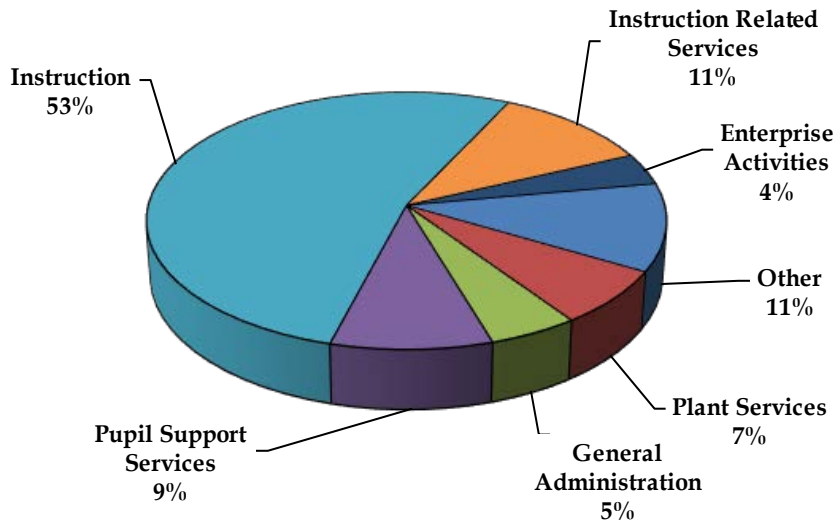
**Governmental Activities**

As reported in the Statement of Activities, the cost of the District's governmental and business-type activities this year was \$26.6 million. The amount that our local taxpayers financed for these activities through property taxes was \$11.6 million. Federal and State aid not restricted to specific purposes totaled \$6.5 million. State and Federal Categorical revenue totaled over \$4.8 million, or 19% of the revenue of the entire District (See Figure 1).

**Sources of Revenue for the 2019-2020 Fiscal Year**  
**Figure 1**



**Expenses for the 2019-2020 Fiscal Year**  
**Figure 2**



GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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**FINANCIAL ANALYSIS OF THE FUND STATEMENTS**

The fund financial statements focus on individual parts of the District's operations in more detail than the government-wide statements. The District's individual fund statements provide information on inflows and outflows and balances of spendable resources. The District's Governmental Funds reported a combined fund balance of \$11.5 million, a decrease of \$9.4 million from the previous fiscal year's combined ending balance of \$20.9 million. The General Fund increased \$291 thousand. The Building Fund decreased \$8.3 million as the Measure D Bond proceeds projects are underway. The other non-major governmental fund decrease was \$1.3 million and attributed to the payment of debt service in the Bond Interest and Redemption Fund.

**General Fund Budgetary Highlights**

Over the course of the year, the District revised the annual operating budget. The significant budget adjustments fell into the following categories:

- ◆ Budget revisions to the adopted budget required after approval of the State budget.
- ◆ Budget revisions to update revenues to actual enrollment information and to update expenditures for staffing adjustments related to actual enrollments.
- ◆ Budget revisions approved throughout the year resulted in increases to Capital Outlay primarily for new construction and modernization projects.
- ◆ Other budget revisions are routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories for school and department budgets.

The final revised budget for the General Fund reflected a net increase to the ending balance of \$14 thousand.

The State recommends an ending reserve for economic uncertainties of 3% of total General Fund expenditures and other financing uses (\$511 thousand). The District's reserve for 2019-2020, was \$937 thousand.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of the 2019-2020 fiscal year, the District had invested \$26.6 million in a broad range of capital assets, including school buildings, administrative buildings, site improvements, vehicles, and equipment. The capital assets net of depreciation was \$17.3 million at June 30, 2020, which is an increase of \$8.3 million from the previous year.

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

**Capital Assets (Concluded)**

**Comparative Schedule of Capital Assets (net of depreciation)  
June 30, 2020 and 2019**

**Table 3**

	2020	2019	Difference/ Increase (Decrease)
Governmental Activities:			
Land	\$ 1,257,491	\$ 1,257,491	\$ 0
Site Improvements	1,210,418	536,808	673,610
Buildings	7,055,303	4,986,506	2,068,797
Machinery and Equipment	396,681	442,508	(45,827)
Work in Process	7,377,494	1,823,674	5,553,820
Total Governmental Activities	<u>\$ 17,297,387</u>	<u>\$ 9,046,987</u>	<u>\$ 8,250,400</u>
Business-Type Activities:			
Machinery and Equipment	<u>\$ 17,269</u>	<u>\$ 23,667</u>	<u>\$ (6,398)</u>

The District completed various Measure D bond projects during 2019-2020 including the playground, ADA, utilities improvement projects at Grass Valley Charter School, the HVAC projects at Bell Hill Academy and Scotten Elementary, and the roofing projects at Grass Valley Charter School, Bell Hill Academy and Scotten Elementary. Other projects were initiated and continued beyond June 30, 2020 including the modernization projects at each school site, the roofing project at Lyman Gilmore Middle School and the multi-purpose building at Bell Hill Academy.

**Long-Term Debt**

At June 30, 2020, the District had \$42.4 million in long-term debt outstanding.

**Comparative Schedule of Outstanding Debt  
June 30, 2020 and 2019**

**Table 4**

	2020	2019
Governmental Activities:		
General Obligation Bonds	\$ 18,025,000	\$ 18,800,000
Compensated Absences	92,212	57,589
Early Retirement Incentives	474,255	366,365
Capital Lease Obligations	68,080	86,579
Net Pension Liability	22,915,310	22,080,908
Total Governmental Activities	<u>\$ 41,574,857</u>	<u>\$ 41,391,441</u>
Business-Type Activities:		
Compensated Absences	\$ 7,344	\$ 4,380
Net Pension Liability	794,040	754,495
Total Business-Type Activities	<u>\$ 801,384</u>	<u>\$ 758,875</u>

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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**CAPITAL ASSET AND DEBT ADMINISTRATION (CONCLUDED)**

**Long-Term Debt (Concluded)**

The general obligation bonds will be paid from the Bond Interest and Redemption Fund. All other obligations will be paid from the General Fund and the Cafeteria Enterprise Fund.

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

The 2019-2020 audit was performed during the COVID-19 global pandemic and the severe economic downturn that resulted. The Learning Continuity and Attendance Plan, passed by the District's Governing Board on September 22, 2020 has, for one year, replaced the requirement for a Local Control and Accountability Plan and Annual Update in 2020-2021. The Learning Continuity and Attendance Plan is intended to balance the needs of all stakeholders, including educators, parents, students, and community members, while both streamlining engagement and condensing several preexisting plans.

The full effect of the COVID-19 pandemic and the length of the resulting recession is still unknown. While the 10% reduction in LCFF funding was rejected in the State of California's final budget packages, it was replaced with no LCFF COLA and \$11 billion in cross fiscal year deferrals. This will require the District to monitor cash monthly and may result in the need for borrowing, either internally or externally. Realistic cash, revenue and expenditure projections are essential along with enrollment projections and analysis of staffing ratios. Local resources should be reserved to address the potential impacts of possible deterioration of future revenue streams. Prudent reserves afford the District and the Governing Board time to thoughtfully identify and implement budget adjustments over time.

Although the full multiyear impact to state and federal funding for K-12 school districts remains uncertain, districts throughout California are reasonably planning for a sharp decline in funding in the coming years. Assuming these funding reductions occur as anticipated, the District will need to proactively identify significant additional expenditure reductions beyond those included in its 2020-2021 original and revised budgets to maintain its fiscal solvency and local control.

Future predictions and uncertainties with the changes to the State funding formula require management to plan carefully and prudently to provide the necessary resources to meet student's needs and continue to keep pace with inflation increases over the next several years.

**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 about this report or need additional financial information, please contact the Business Manager, Grass Valley Elementary School District, 10840 Gilmore Way, Grass Valley, CA 95945, (530) 273-4483.

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash (Note 2)	\$ 13,579,877	\$ 36,817	\$ 13,616,694
Accounts Receivable (Note 3)	1,418,078	16,740	1,434,818
Due From (To) Other Funds (Note 4)	38,848	(38,848)	0
Stores Inventory (Note 1H)		33,022	33,022
Capital Assets, Net of Depreciation (Note 5)	<u>17,297,387</u>	<u>17,269</u>	<u>17,314,656</u>
Total Assets	<u>32,334,190</u>	<u>65,000</u>	<u>32,399,190</u>
<b>DEFERRED OUTFLOWS OF RESOURCES (NOTE 1H)</b>			
Deferred Outflows on Pensions (Note 11)	<u>5,971,738</u>	<u>254,555</u>	<u>6,226,293</u>
<b>LIABILITIES</b>			
Accounts Payable and Other Current Liabilities	3,729,945	57,992	3,787,937
Unearned Revenue (Note 1H)	121,546		121,546
Unamortized Bond Premium (Note 6)	1,280,885		1,280,885
Long-term Liabilities (Note 7)			
Due Within One Year	835,130	7,344	842,474
Due After One Year	<u>40,739,727</u>	<u>794,040</u>	<u>41,533,767</u>
Total Liabilities	<u>46,707,233</u>	<u>859,376</u>	<u>47,566,609</u>
<b>DEFERRED INFLOWS OF RESOURCES (NOTE 1H)</b>			
Deferred Inflows on Pensions (Note 11)	<u>1,564,679</u>	<u>16,524</u>	<u>1,581,203</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	7,543,897	17,269	7,561,166
Restricted For:			
Capital Projects	200,113		200,113
Debt Service	476,083		476,083
Education Programs	444,688		444,688
Unrestricted (Deficit)	<u>(18,630,765)</u>	<u>(573,614)</u>	<u>(19,204,379)</u>
Total Net Position (Deficit)	<u>\$ (9,965,984)</u>	<u>\$ (556,345)</u>	<u>\$ (10,522,329)</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Governmental Activities	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Instruction	\$ 14,014,645	\$ 5,554	\$ 2,538,743	\$ (11,470,348)		\$ (11,470,348)
Instruction-Related Services:						
Supervision of Instruction	538,902	1,891	339,083	(197,928)		(197,928)
Instructional Library, Media and Technology	646,193		42,126	(604,067)		(604,067)
School Site Administration	1,646,565	21	38,433	(1,608,111)		(1,608,111)
Pupil Services:						
Home-To-School Transportation	605,390			(605,390)		(605,390)
Food Services	676,987	42,982	582,474	(51,531)		(51,531)
All Other Pupil Services	1,047,470		122,947	(924,523)		(924,523)
General Administration:						
Data Processing	288,459			(288,459)		(288,459)
All Other General Administration	1,189,637	726	85,193	(1,103,718)		(1,103,718)
Plant Services	1,864,645	101,955	389,073	(1,373,617)		(1,373,617)
Ancillary Services	155,124		576	(154,548)		(154,548)
Community Services	866,556	4,189	621,133	(241,234)		(241,234)
Interest on long-term debt	746,940			(746,940)		(746,940)
Other Outgo	729,447	23	75	(729,349)		(729,349)
Depreciation (unallocated)*	393,953			(393,953)		(393,953)
Total Governmental Activities	25,410,913	157,341	4,759,856	(20,493,716)		(20,493,716)
Business-Type Activities						
Enterprise Activities	1,224,105	952,391			\$ (271,714)	(271,714)
Total Activities	\$ 26,635,018	\$ 1,109,732	\$ 4,759,856	(20,493,716)	(271,714)	(20,765,430)
General Revenues:						
Property Taxes Levied For:						
General Purposes				11,280,223		11,280,223
Debt Service				255,382		255,382
Other Specific Purposes				73,208		73,208
Federal and State Aid Not Restricted to Specific Purposes				6,481,937		6,481,937
Interest and Investment Earnings				61,386	59	61,445
Miscellaneous				612,520		612,520
Total General Revenues				18,764,656	59	18,764,715
Change (Decrease) in Net Position				(1,729,060)	(271,655)	(2,000,715)
Net Position Beginning (Deficit)				(8,236,924)	(284,690)	(8,521,614)
Net Position Ending (Deficit)				\$ (9,965,984)	\$ (556,345)	\$ (10,522,329)

\* This amount does not include depreciation charged to Governmental Activities.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020

	General Fund	Charter School Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash (Note 2)	\$ 1,457,229	\$ 1,000	\$ 10,575,399	\$ 1,578,090	\$ 13,611,718
Accounts Receivable (Note 3)	1,226,175	59,249		132,654	1,418,078
Due From Other Funds (Note 4)	723,903	930,413	109,611		1,763,927
Total Assets	<u>\$ 3,407,307</u>	<u>\$ 990,662</u>	<u>\$ 10,685,010</u>	<u>\$ 1,710,744</u>	<u>\$ 16,793,723</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Deficit Cash (Note 2)		\$ 31,841			\$ 31,841
Accounts Payable	\$ 823,209	74,432	\$ 2,345,420	\$ 157,686	3,400,747
Unearned Revenue (Note 1H)	109,727			11,819	121,546
Due to Other Funds (Note 4)	930,413	561,488		233,178	1,725,079
Total Liabilities	<u>1,863,349</u>	<u>667,761</u>	<u>2,345,420</u>	<u>402,683</u>	<u>5,279,213</u>
Fund Balances (Note 1H):					
Nonspendable	2,000				2,000
Restricted	262,778	63,859	8,339,590	794,247	9,460,474
Assigned	342,133	259,042		513,814	1,114,989
Unassigned	937,047				937,047
Total Fund Balances	<u>1,543,958</u>	<u>322,901</u>	<u>8,339,590</u>	<u>1,308,061</u>	<u>11,514,510</u>
Total Liabilities and Fund Balances	<u>\$ 3,407,307</u>	<u>\$ 990,662</u>	<u>\$ 10,685,010</u>	<u>\$ 1,710,744</u>	<u>\$ 16,793,723</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
JUNE 30, 2020

Total fund balance - governmental funds \$ 11,514,510

Amounts reported for governmental activities in the statement of net position are different because:

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, at historical cost	\$ 26,560,174	
Accumulated depreciation	<u>(9,262,787)</u>	
Net		17,297,387

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 statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was: (329,198)

Unamortized bond premium: In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized as a reduction in annual interest expense over the life of the debt. Unamortized premium at year-end was: (1,280,885)

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 relating to governmental activities consist of:

General Obligation Bonds	\$ 18,025,000	
Compensated absences	92,212	
Capital lease obligations	68,080	
Early retirement incentives	474,255	
Net pension liability	<u>22,915,310</u>	
Total		(41,574,857)

Deferred outflows and inflows of resources relating to pensions: In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

Deferred outflows of resources relating to pensions	\$ 5,971,738	
Deferred inflows of resources relating to pensions	<u>(1,564,679)</u>	
Total		<u>4,407,059</u>

Total net position (deficit) - governmental activities \$ (9,965,984)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General Fund	Charter School Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Local Control Funding					
Formula Sources					
State Apportionments	\$ 4,457,944	\$ 1,236,129			\$ 5,694,073
Local Sources	<u>8,158,122</u>	<u>3,122,101</u>			<u>11,280,223</u>
Total Local Control Funding					
Formula Sources	12,616,066	4,358,230			16,974,296
Federal Revenue	1,866,319			\$ 695,011	2,561,330
Other State Revenue	1,881,025	350,726		598,831	2,830,582
Other Local Revenue	<u>970,670</u>	<u>184,114</u>	<u>\$ 281,559</u>	<u>744,834</u>	<u>2,181,177</u>
Total Revenues	<u>17,334,080</u>	<u>4,893,070</u>	<u>281,559</u>	<u>2,038,676</u>	<u>24,547,385</u>
<b>EXPENDITURES</b>					
Certificated Salaries	7,211,365	2,046,930			9,258,295
Classified Salaries	3,079,140	679,667		659,879	4,418,686
Employee Benefits	4,395,085	1,138,625		282,589	5,816,299
Books and Supplies	365,231	226,635	661	529,550	1,122,077
Services and Other					
Operating Expenditures	1,396,687	768,529	234,139	104,688	2,504,043
Capital Outlay	6,188		8,323,851	159,611	8,489,650
Debt Service:					
Principal Retirement	18,499			775,000	793,499
Interest and Fiscal Charges	3,547			805,575	809,122
Other Outgo	<u>567,334</u>	<u>128,093</u>		<u>32,145</u>	<u>727,572</u>
Total Expenditures	<u>17,043,076</u>	<u>4,988,479</u>	<u>8,558,651</u>	<u>3,349,037</u>	<u>33,939,243</u>
Excess of Revenues Over (Under) Expenditures	<u>291,004</u>	<u>(95,409)</u>	<u>(8,277,092)</u>	<u>(1,310,361)</u>	<u>(9,391,858)</u>
Other Financing Sources (Uses):					
Operating Transfers In (Note 4)				61,400	61,400
Operating Transfers Out (Note 4)				<u>(61,400)</u>	<u>(61,400)</u>
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	291,004	(95,409)	(8,277,092)	(1,310,361)	(9,391,858)
Fund Balances - July 01, 2019	<u>1,252,954</u>	<u>418,310</u>	<u>16,616,682</u>	<u>2,618,422</u>	<u>20,906,368</u>
Fund Balances - June 30, 2020	<u>\$ 1,543,958</u>	<u>\$ 322,901</u>	<u>\$ 8,339,590</u>	<u>\$ 1,308,061</u>	<u>\$ 11,514,510</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES -GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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Net change (decrease) in fund balances - total governmental funds \$ (9,391,858)

Amounts reported for governmental activities in the statement of activities are different because:

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 estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period was:

		\$ 8,707,555	
Expenditures for capital outlay			
Depreciation expense		<u>(457,155)</u>	
Net			8,250,400

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In 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: 793,499

Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: (1,300,770)

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: 12,917

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: (34,623)

Other expenditures relating to prior periods: Certain expenditures recognized in governmental funds relate to prior periods. These expenditures are recognized in the government-wide statement of activities in the period in which the obligations are first incurred, so they must not be recognized again in the current period. Expenditures relating to early retirement incentives offered in prior periods were: 72,110

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES -GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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Other liabilities not normally liquidated with current financial resources: In the government-wide statements, expenses must be accrued in connection with any liabilities incurred during the period that are not expected to be liquidated with current financial resources, in addition to compensated absences and long-term debt. This year, expenses incurred for early retirement incentives obligations were: (180,000)

Amortization of debt issue premium: In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized as a reduction to annual interest expense over the life of the debt.

Amortization of premium for the period was: 49,265

Total change (decrease) in net position - governmental activities \$ (1,729,060)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT  
STATEMENT OF FUND NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2020

	Business-Type Activities: Enterprise Fund
	Child Nutrition Services Fund
<b>ASSETS</b>	
Current Assets	
Cash (Note 2)	\$ 36,817
Accounts Receivable (Note 3)	16,740
Due To Other Funds (Note 4)	(38,848)
Stores Inventory (Note 1H)	33,022
Total Current Assets	47,731
Noncurrent Assets (Note 5)	
Machinery and Equipment	209,716
Less accumulated Depreciation	(192,447)
Total Noncurrent Assets	17,269
Total Assets	65,000
<b>DEFERRED OUTFLOWS OF RESOURCES (NOTE 1H)</b>	
Deferred Outflows on Pensions (Note 11)	254,555
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	57,992
Total Current Liabilities	57,992
Noncurrent Liabilities	
Compensated Absences (Note 7)	7,344
Net Pension Liability (Note 7 and Note 11)	794,040
Total Liabilities	859,376
<b>DEFERRED INFLOWS OF RESOURCES (NOTE 1H)</b>	
Deferred Inflows on Pensions (Note 11)	16,524
<b>NET POSITION (NOTE 12)</b>	
Net Investment in Capital Assets	17,269
Unrestricted (Deficit)	(573,614)
Total Net Position (Deficit)	\$ (556,345)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Business-Type Activities: Enterprise Fund
	Child Nutrition Services Fund
<b>REVENUE</b>	
Charges for Services	\$ 859,932
Donated Food Commodities	92,459
Total Operating Revenue	952,391
<b>OPERATING EXPENSES</b>	
Classified Salaries	303,208
Employee Benefits	191,596
Supplies and Equipment	600,514
Other Operating Expenses	122,389
Depreciation	6,398
Total Operating Expenses	1,224,105
Operating Income (Loss)	(271,714)
<b>NON-OPERATING REVENUES</b>	
Interest and Investment Revenue	59
Total Non-Operating Sources	59
Change (Decrease) in Net Position	(271,655)
Total Net Position (Deficit) - July 01, 2019	(284,690)
Total Net Position (Deficit) - June 30, 2020	\$ (556,345)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Business-type Activities: <u>Enterprise Fund</u> <u>Child Nutrition</u> <u>Services Fund</u>
Cash flows from operating activities	
Cash received for meal sales	\$ 1,068,196
Cash paid for goods and services	(653,996)
Cash paid for salaries and benefits	<u>(422,644)</u>
Net cash flows provided (used) by operating activities	<u>(8,444)</u>
Cash flows from investing activities	
Interest on investments	<u>59</u>
Net cash provided by investing activities	<u>59</u>
Net decrease in cash	(8,385)
Cash, July 01, 2019	<u>45,202</u>
Cash, June 30, 2020	<u>\$ 36,817</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income (loss)	\$ <u>(271,714)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	6,398
(Increase) decrease in accounts receivable	37,505
(Increase) decrease in inventory	5,448
(Increase) decrease in due from other funds	170,759
(Increase) decrease in prepaids	9,680
(Increase) decrease in deferred outflows of resources	16,091
Increase (decrease) in accounts payable	(80,492)
Increase (decrease) in due to other funds	38,848
Increase (decrease) in compensated absences	2,964
Increase (decrease) in net pension liability	39,545
Increase (decrease) in deferred inflows of resources	<u>16,524</u>
Total adjustments	<u>263,270</u>
Net cash provided (used) by operating activities	<u>\$ (8,444)</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2020

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	Agency Funds
	Student Body Accounts
<b>ASSETS</b>	
Cash (Note 2)	\$ 41,532
Total Assets	<u>\$ 41,532</u>
<b>LIABILITIES</b>	
Due to Student Groups	\$ 41,532
Total Liabilities	<u>\$ 41,532</u>
<b>NET POSITION</b>	
Total Net Position	<u>\$ 0</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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 accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountant (AICPA).

A. Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards and agencies that are not legally separate from the District. For Grass Valley Elementary School District, this includes general operations, food service and student related activities of the District. The District has considered all potential component units in determining how to define the reporting entity, using criteria set forth in generally accepted accounting principles. The District determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

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 nonfiduciary activities of the District and its component units.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the 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.

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Concluded)

Fund Financial Statements:

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

The accounting and financial treatment applied to a fund is determined by its measurement focus and the modified accrual basis of accounting. All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current asset 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.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the proprietary fund's Statement of Fund Net Position. The Statement of Revenues, Expenses, and Changes in Fund Net Position for proprietary funds presents increases (i.e., revenue) and decreases (i.e., expenditures) in net total assets. The Statement of Cash Flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Fund are the sale of school meals to the District and other Nevada County school districts.

Fiduciary funds are reported using the economic resources measurement focus and the modified accrual basis of accounting.

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. Proprietary and fiduciary funds use the accrual basis of accounting.

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

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. On a 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 60 days after year-end.

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

Unearned revenue:

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

Expenses/expenditures:

On the 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.

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

Expenses/expenditures (Concluded):

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. Expenditures incurred in the unrestricted resources shall be reduced first from the committed resources, then from assigned resources and lastly, the unassigned resources.

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, 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. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The District reports the following major funds.

General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Charter School Fund is used to present the financial activities of the charter school in accordance with guidance provided by the California Department of Education.

Building Fund is used to account separately for proceeds from the sale of bonds, restricted to voter approved capital projects.

Additionally, the District reports the following fund types:

Proprietary Funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users, normally on full cost-recovery basis. Proprietary funds are generally intended to be self-supporting. The Child Nutrition Services Fund is used to account for the revenues and expenses associated with providing school breakfast and lunches to the District and other Nevada County school districts.

Fiduciary Funds are agency funds used to account for assets of others for which the District acts as an agent. The District maintains student body funds, which are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. Agency funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time.

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Concluded)

Fiduciary Funds (Concluded) The amounts reported for student body funds represent the combined totals of all schools within the District.

E. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles 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 Board of Trustees and District Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund, the Charter School Fund and the Cafeteria Fund as required supplementary information in the financial statements.

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. 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.

G. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity

1. Deposits and Investments

Cash balances held in commercial bank accounts are insured to \$250,000 by the Federal Deposit Insurance Corporation.

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows in the proprietary fund statements.

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investments losses are proportionately shared by all funds in the pool.

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 either are secured by federal depository insurance or are collateralized.

Investments Valuation - In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

2. Stores Inventories and Prepaid Expenditures

Inventories are recorded using the consumption method, in that inventory acquisitions are initially recorded in inventory (asset) accounts and are charged as expenditures when used. Reported inventories are equally offset by nonspendable fund balance, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets. The District's cafeteria inventory valuation is First-in-First-out (FIFO).

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures in the period purchased.

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

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. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over an estimated useful life of 5 to 50 years depending on the asset class.

4. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position includes 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(s) and, as such, 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. 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 positions of the California State Teachers Retirement Plan (STRP) and the CalPERS Schools Pool Cost-Sharing Multiple Employer Plan (PERF B) and additions to/deductions from STRP and PERF B fiduciary net positions have been determined on the same basis as they are reported separately by CalSTRS and CalPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

6. Pensions (Concluded)

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

Gains and losses related to changes in total pension liability are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

7. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires. At retirement, each classified member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

9. Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Position - This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

10. Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District's policy is to apply restricted net position first.

11. Fund Equity

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned, based primarily on the extent to which the District is bound to honor constraints on how specific amounts are to be spent:

Nonspendable Fund Balance - Includes the portions of fund balance not appropriable for expenditures.

Restricted Fund Balance - Includes amounts subject to externally imposed and legally enforceable constraints.

Committed Fund Balance - Includes amounts subject to District constraints self-imposed by majority vote of the District Governing Board.

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

11. Fund Equity (Continued)

Assigned Fund Balance - Includes amounts the District intends to use for a specific purpose. Assignments may be established by the District Governing Board, the Superintendent of the District, or designee.

Unassigned Fund Balance - Includes the residual balance that has not been assigned to other funds and is not restricted, committed, or assigned to specific purposes.

*Fund Balances*

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

	General Fund	Charter School Fund	Building Fund	Other Governmental Funds	Total
Nonspendable:					
Revolving Fund	\$ 2,000				\$ 2,000
Total Nonspendable Fund Balance	2,000				2,000
Restricted For:					
Legally Restricted Categorical Funding Measure D Bond Projects Purposes Specified in Government Code Sections 65970-65981	262,778	\$ 63,859	\$ 8,339,590	\$ 118,051	444,688
Debt Service				200,113	200,113
				476,083	476,083
Total Restricted Fund Balance	262,778	63,859	8,339,590	794,247	9,460,474
Assigned For:					
Capital Projects				312,775	312,775
Charter School Operations		259,042			259,042
Child Development Program				201,039	201,039
Site Carryover	96,437				96,437
Program Carryover	185,818				185,818
Donations	23,712				23,712
One-time Mandated Revenue Carryover	36,166				36,166
Total Assigned Fund Balance	342,133	259,042	0	513,814	1,114,989
Unassigned:					
Reserve for Economic Uncertainties	937,047				937,047
Total Unassigned Fund Balance	937,047	0	0	0	937,047
Total Fund Balances	\$ 1,543,958	\$ 322,901	\$ 8,339,590	\$ 1,308,061	\$ 11,514,510

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

11. Fund Equity (Concluded)

*Fund Balance Policy*

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain unrestricted fund balance in its General Fund sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature.

The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels because of temporary revenue shortfalls or unpredicted one-time expenditures.

The goal of the Governing Board is to maintain General Fund unrestricted ending fund balance equal to 17% of the expenditure budget. The 17% is anticipated to be two (2) months of expenditures. The ending fund balance will include the Reserve for Economic Uncertainty as established by the State Board of Education (3%) plus a 1% board reserve.

Additional detailed information, along with the complete *Fund Balance Policy* can be obtained from the District.

12. Local Control Funding Formula/Property Tax

The District's local control funding formula revenue is received from a combination of local property taxes, state apportionments, and other local sources.

The county is responsible for assessing, collecting, and apportioning property taxes. 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.

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Concluded)

12. Local Control Funding Formula/Property Tax (Concluded)

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 alternate 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 control funding formula sources by the District.

The California Department of Education reduces the District's entitlement by the District local property tax revenue. The balance is paid from the state General Fund and is known as the State Apportionment.

The District's Base Local Control Funding Formula Revenue is the amount of general-purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

I. Impact of Recently Issued Accounting Principles

The GASB issued Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* in May, 2020. The primary objective is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by delaying the effective dates of certain pronouncements, including each of those listed below, by one year. Earlier application of the provisions addressed in this Statement is encouraged and permitted to the extent specified in each pronouncement as originally issued. The effect of this Statement and the action taken by the District as applicable has been described below.

The GASB issued Statement 84, *Fiduciary Activities* January, 2017. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for account and financial reporting purposes and how those activities should be reported. This Statement was originally effective beginning in 2019-2020, but has been postponed by one year. The District will implement this Statement in 2020-2021 and has not yet determined the impact on the financial statements.

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

I. Impact of Recently Issued Accounting Principles (Concluded)

The GASB issued Statement 87, *Leases* in June, 2017. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement was originally effective beginning in 2020-2021, but has been postponed by one year. The District will implement this Statement in 2021-2022 and has not yet determined the impact on the financial statements.

The GASB has also issued Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* (June, 2018) and Statement 91, *Conduit Debt Obligations* (May, 2019). These Statements were originally effective for reporting periods beginning after December 15, 2019 and December 15, 2020 respectively, but have been postponed by one year and will be implemented as delayed. The District does not expect these Statements to have an impact on the District's financial statements.

NOTE 2 - CASH

A. Summary of Cash

The following is a summary of cash at June 30, 2020:

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Subtotal</u>	<u>Agency Funds</u>	<u>Total</u>
\$ 13,579,877	\$ 36,817	\$ 13,616,694	\$ 41,532	\$ 13,658,226

The District had the following cash at June 30, 2020:

	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Credit Quality Rating</u>
Cash in Commercial Banks	\$ 109,091	\$ 109,091	Not Rated
Cash in Revolving Fund	2,469	2,469	Not Rated
Cash in County Treasury (net of \$31,841 deficit cash)	<u>13,883,881</u>	<u>13,546,666</u>	Not Rated
Total	<u>\$ 13,995,441</u>	<u>\$ 13,658,226</u>	

B. Policies and Practices

The District is authorized by State statutes and in accordance with the District's Investment Policy (Policy) to invest in the following:

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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NOTE 2 - CASH (CONTINUED)

B. Policies and Practices (Concluded)

- Securities issued or guaranteed by the Federal Government or its agencies
- State Local Agency Investment Fund (LAIF)
- Insured and/or collateralized certificates of deposit

The Policy, in addition to State statues, establishes that funds on deposit in banks must be federally insured or collateralized and investments shall (1) have maximum maturity not to exceed five years, (2) be laddered and based on cash flow forecasts; and (3) be subject to limitations to a certain percent of the portfolio for each of the authorized investments. The District's investments comply with the established policy.

Cash in Commercial Banks

Cash balances held in commercial bank accounts are insured to \$250,000 by the Federal Deposit Insurance Corporation. These amounts are held within various financial institutions. As of June 30, 2020, the carrying amount of the District's accounts was \$111,560, all of which was insured.

Cash in County Treasury

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash with the County Treasury as an involuntary participant of a common investment pool, which totaled \$245,767,389. The fair market value of this pool as of that date, as provided by the pool sponsor, was \$251,885,243. Interest is deposited into participating funds. The balance available for withdrawal is based on the accounting records maintained by the county treasurer, which is recorded on the amortized cost basis.

The District ended the year with a negative cash balance in the Charter School Fund of \$31,841. Under the policies set by the Nevada County Treasurer's Office, the District is allowed to carry a negative cash balance in the fund as long as the combined District cash balance is positive. The District is charged interest on the negative balance by the Nevada County Treasurer.

C. Risk Disclosures

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures.

**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.

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - CASH (CONCLUDED)

C. Risk Disclosures (Concluded)

Interest Rate Risk (Concluded) - The District manages its exposure to interest rate risk by investing in the County Pool and having the pool purchase a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

At June 30, 2020 the District had the following investment maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>		
		<u>Less than 1</u>	<u>1 to 4</u>	<u>More than 4</u>
County Treasury	<u>\$13,883,881</u>	<u>\$6,236,639</u>	<u>\$6,133,899</u>	<u>\$1,513,343</u>

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not exposed to credit risk.

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

Concentration of Credit Risk - This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

Foreign Currency Risk - This is the risk that exchange rate will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 3 - ACCOUNTS RECEIVABLE

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

	Governmental Funds				Proprietary
				Other	Fund
	General Fund	Charter School Fund	Governmental Funds	Total	Child Nutrition Services Fund
Federal Government					
Categorical Aid Programs	\$ 889,586		\$ 50,331	\$ 939,917	
State Government					
Local Control Funding Formula	93,474	\$ 35,291		128,765	
Categorical Aid Programs	37,861		4,318	42,179	
Lottery	54,212	22,508		76,720	
Total State Government	185,547	57,799	4,318	247,664	
Local Government	121,318		59,416	180,734	\$ 16,740
Miscellaneous	29,724	1,450	18,589	49,763	
Total Accounts Receivable	\$ 1,226,175	\$ 59,249	\$ 132,654	\$ 1,418,078	\$ 16,740

NOTE 4 - INTERFUND TRANSACTIONS

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/expenses. 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. Transfers among governmental and proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Interfund Receivables/Payables (Due From/Due To)

Individual fund interfund receivable and payable balances at June 30, 2020 are as follows:

	Interfund Receivables	Interfund Payables
Major Governmental Funds:		
General Fund	\$ 723,903	\$ 930,413
Charter School Fund	930,413	561,488
Building Fund	109,611	
Non-Major Governmental Funds:		
Child Development Fund		64,003
Cafeteria Fund		59,564
Capital Facilities Fund		109,611
Subtotal Governmental Funds	1,763,927	1,725,079
Proprietary Funds:		
Child Nutrition Services Fund		38,848
Total	\$ 1,763,927	\$ 1,763,927

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - INTERFUND TRANSACTIONS (CONCLUDED)

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 the 2019-2020 fiscal year were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Non-Major Governmental Funds:		
Capital Facilities Fund		\$ 61,400
Special Reserve Fund for Capital Outlay Projects	\$ 61,400	
Total	<u>\$ 61,400</u>	<u>\$ 61,400</u>

The District transferred \$61,400 from the Capital Facilities Fund to the Special Reserve Fund for Capital Outlay Projects to make the final reimbursement for costs associated with the District support services building.

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

A schedule of changes in governmental activities capital assets for the year ended June 30, 2020 is shown below:

	<u>Balance July 01, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2020</u>
Capital assets, not being depreciated:				
Land	\$ 1,257,491			\$ 1,257,491
Work in progress	1,823,674	\$ 8,701,805	\$ 3,147,985	7,377,494
Total capital assets, not being depreciated	<u>3,081,165</u>	<u>8,701,805</u>	<u>3,147,985</u>	<u>8,634,985</u>
Capital assets being depreciated:				
Buildings	12,056,901	2,391,967		14,448,868
Improvements of sites	1,834,943	755,600		2,590,543
Equipment	879,610	6,168		885,778
Total capital assets, being depreciated	<u>14,771,454</u>	<u>3,153,735</u>	<u>0</u>	<u>17,925,189</u>
Less accumulated depreciation for:				
Buildings	7,070,395	323,170		7,393,565
Improvements of sites	1,298,135	81,990		1,380,125
Equipment	437,102	51,995		489,097
Total accumulated depreciation	<u>8,805,632</u>	<u>457,155</u>	<u>0</u>	<u>9,262,787</u>
Total capital assets, being depreciated, net	<u>5,965,822</u>	<u>2,696,580</u>	<u>0</u>	<u>8,662,402</u>
Governmental activities capital assets, net	<u>\$ 9,046,987</u>	<u>\$ 11,398,385</u>	<u>\$ 3,147,985</u>	<u>\$ 17,297,387</u>

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION (CONCLUDED)

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:

Instruction	\$	13,969
Instruction-related Services		6,930
Pupil Services		9,898
General Administration		23,166
Plant Services		8,274
Community Services		965
Unallocated		<u>393,953</u>
Total	\$	<u>457,155</u>

A schedule of changes in business-type activities capital assets for the year ended June 30, 2020 is shown below:

	Balance July 01, 2019	Additions	Deductions	Balance June 30, 2020
Equipment	\$ 209,716			\$ 209,716
Less accumulated depreciation	<u>(186,049)</u>	\$ (6,398)		<u>(192,447)</u>
Capital assets, net	<u>\$ 23,667</u>	<u>\$ (6,398)</u>	<u>\$ 0</u>	<u>\$ 17,269</u>

Depreciation expense charged to enterprise activities was \$6,398.

NOTE 6 - UNAMORTIZED BOND PREMIUM

The District sold its 2018 General Obligation Bonds at a premium of \$1,379,415. The premium is being amortized using the straight-lint method over the life of the bond issue as a reduction to annual interest expense.

The annual amortization of the bond premium is as follows:

<u>Year Ended June 30</u>	<u>Annual Amortization</u>
2021	\$ 49,265
2022	49,265
2023	49,265
2024	49,265
2025	49,265
2026-2030	246,325
2031-2035	246,325
2036-2040	246,325
2041-2045	246,325
2046	<u>49,260</u>
Total	<u>\$ 1,280,885</u>

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 7 - LONG-TERM DEBT

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

	Balance July 01, 2019	Additions	Deductions	Balance June 30, 2020	Due Within One Year
Governmental Activities:					
General Obligation Bonds	\$ 18,800,000		\$ 775,000	\$ 18,025,000	\$ 625,000
Capital Lease Obligation	86,579		18,499	68,080	19,356
Compensated Absences	57,589	\$ 34,623		92,212	92,212
Early Retirement Incentives	366,365	180,000	72,110	474,255	98,562
Net Pension Liability	22,080,908	834,402		22,915,310	
Total Governmental Activities	<u>\$ 41,391,441</u>	<u>\$ 1,049,025</u>	<u>\$ 865,609</u>	<u>\$ 41,574,857</u>	<u>\$ 835,130</u>
Business-Type Activities:					
Compensated Absences	\$ 4,380	\$ 2,964		\$ 7,344	\$ 7,344
Net Pension Liability	754,495	39,545		794,040	
Total Business-Type Activities	<u>\$ 758,875</u>	<u>\$ 42,509</u>	<u>\$ 0</u>	<u>\$ 801,384</u>	<u>\$ 7,344</u>

The general obligation bonds will be paid from the Bond Interest and Redemption Fund. Other obligations listed as Governmental Activities will be paid primarily by the General Fund. Payments for the Business-type Activities obligations will be paid by the Child Nutrition Services Fund.

NOTE 8 - GENERAL OBLIGATION BONDS

On September 12, 2018, the District issued General Obligation Bonds, Election of 2018, Series 2018 in the aggregate principal amount of \$18,800,000. The bonds were issued as current interest bonds, bearing interest rates from 3.375 to 4.0 percent and are scheduled to mature through August 1, 2045.

The outstanding general obligation bonded debt at June 30, 2020 is:

Series	Interest Rate %	Maturity Date August 1	Amount of Original Issue	Outstanding July 01, 2019	Issued Current Year	Redeemed Current Year	Outstanding June 30, 2020
2018	3.38-4.00	2045	\$ 18,880,000	\$ 18,800,000	\$ 0	\$ 775,000	\$ 18,025,000
Total			<u>\$ 18,880,000</u>	<u>\$ 18,800,000</u>	<u>\$ 0</u>	<u>\$ 775,000</u>	<u>\$ 18,025,000</u>

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 8 - GENERAL OBLIGATION BONDS (CONCLUDED)

The annual requirements to amortize the general obligation bonds payable, outstanding as of June 30, 2020 are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 625,000	\$ 777,576	\$ 1,402,576
2022	100,000	763,075	863,075
2023	130,000	758,474	888,474
2024	160,000	752,676	912,676
2025	195,000	745,575	940,575
2026-2030	1,565,000	3,568,874	5,133,874
2031-2034	2,795,000	3,138,475	5,933,475
2035-2039	4,430,000	2,434,563	6,864,563
2040-2044	6,655,000	1,230,125	7,885,125
2045-2046	1,370,000	34,250	1,404,250
Totals	<u>\$ 18,025,000</u>	<u>\$ 14,203,663</u>	<u>\$ 32,228,663</u>

NOTE 9 - CAPITAL LEASE OBLIGATION

In October 2018, the District entered into a five-year lease agreement with Hewlett-Packard Financial Services Company for computer equipment. Monthly lease payments of \$1,837.17 are due and payable in arrears and include interest of 4.54%. When all lease payments have been satisfied, all interest in equipment shall pass to the District. The District will receive no sub-lease payments for this agreement.

Future minimum lease payments under this agreement are as follows:

<u>Year Ended June 30</u>	<u>Lease Payment</u>
2021	\$ 22,046
2022	22,046
2023	22,046
2024	<u>7,349</u>
Total payments	73,487
Less amounts representing interest	<u>(5,407)</u>
Present value of net minimum lease payments	<u>\$ 68,080</u>

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - EARLY RETIREMENT INCENTIVES

In addition to the pension benefits described in Note 11, the District has provided retirement incentive offerings over the past several fiscal years to certificated employees meeting certain negotiated criteria. The early retirement incentives were implemented as a cost savings strategy and required no further services to be performed by the retirees.

During the 2019-2020 school year, the District offered an enhanced retirement incentive for certificated employees to help mitigate the financial impact of the COVID-19 pandemic on the District's 2020-2021 annual budget. Certificated employees who had reached age 55 by June 30, 2020 and met various other eligibility requirements were offered \$45,000 payable in either four (4) equal annual payments or continuance of District paid health plan (not to exceed the distribution of the 4 annual payments.) In total, four eligible employees accepted this incentive in 2019-2020 with a cost to the District of \$180,000. The future estimated payments to meet the obligations for thirteen (13) former employees as determined by prior agreements are as follows:

<u>Year Ended June 30</u>	<u>Early Retirement Incentives</u>
2021	\$ 98,562
2022	98,562
2023	98,562
2024	88,562
2025	43,558
2026-2027	46,449
Total	<u>\$ 474,255</u>

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under cost-sharing multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). For the fiscal year ended June 30, 2020, the Grass Valley Elementary School District reported its proportionate share of the net pension liabilities, deferred outflows of resources, deferred inflows of resources and pension expense for each of the plans as follows:

<u>Pension Plan</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows Related to Pensions</u>	<u>Deferred Inflows Related to Pensions</u>	<u>Pension Expense</u>
CalSTRS	\$ 14,148,214	\$ 4,111,154	\$ 1,310,076	\$ 1,807,341
CalPERS	9,561,136	2,115,139	271,127	2,028,748
Totals	<u>\$ 23,709,350</u>	<u>\$ 6,226,293</u>	<u>\$ 1,581,203</u>	<u>\$ 3,836,089</u>

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS)

*Plan Description.* The Grass Valley Elementary School District contributes to the State Teachers' Retirement Plan (STRP), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by California State Teachers' Retirement System (CalSTRS). The State of California is a Nonemployer Contributing Entity to the STRP. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. 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 of California is both an employer and nonemployer contributing entity to the STRP. CalSTRS issues a publicly available financial report that can be obtained at <http://www.calstrs.com/comprehensive-annual-financial-report>.

*Benefit.* The STRP provides defined benefit program benefits under two formulas: 2% at 60 for members hired on or before December 31, 2012 and 2% at 62 for members hired after that date. Both formulas define hire as the date at which the member was hired to perform service that could be creditable to CalSTRS. The benefit under each formula is calculated as 2% per year of creditable service. The 2% at 60 formula uses final compensation to calculate the benefit. The 2% at 62 formula uses an average of the highest compensation for three consecutive years to calculate the benefit.

*Contributions.* Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method. Active plan members under the 2% at 60 formula are required to contribute 10.25% of their salary and active plan members under the 2% at 62 formula are required to contribute 10.205% for the year ended June 30, 2020. The Grass Valley Elementary School District and the State of California are required to contribute actuarially determined rates.

The actuarial methods and assumptions used for determining the rates are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2018-2019 was 16.28% and for fiscal year 2019-2020 was 17.10% of annual payroll, reduced pursuant to the supplemental payments to CalSTRS provided by the State of California's Budget Act of 2019. The required State contribution rate for fiscal year 2018-2019 was 9.828% and for fiscal year 2019-2020 the rate was 10.328%. The Grass Valley Elementary School District's contributions to CalSTRS for the fiscal years ending June 30, 2020 and 2019 were \$1,618,417 and \$1,445,120, respectively, and equal 100% of the required contributions for each year.

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

Contribution by District	\$ 1,618,417
Contribution by State	<u>1,076,714</u>
Total Contribution in 2019-2020	<u>\$ 2,695,131</u>

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2020, the District reported a liability of \$14,148,214 for its proportionate share of the net pension liability for the STRP. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's and the State of California's (non-employer contributing entity) long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State of California, actuarially determined. At June 30, 2019, the District's proportion of contributions was 0.0157 percent, an increase of 0.00052 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$1,807,341 which included the State's required on-behalf contribution of \$211,184. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred Outflows and Inflows of Resources:		
Difference between expected and actual experience	\$ 35,717	\$ 398,680
Changes in assumptions	1,789,440	
Net difference between projected and actual earnings on pension plan investments		544,994
Changes in proportion and differences between District contributions and proportionate share of contributions	667,580	366,402
District contributions subsequent to measurement date of June 30, 2019	<u>1,618,417</u>	
Totals	<u>\$ 4,111,154</u>	<u>\$ 1,310,076</u>

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded).* The \$1,618,417 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources related to pensions and deferred inflows of resources related to pension will be recognized as increases or decreases respectively in pension expense as follows:

	<u>Outflows</u>	<u>Inflows</u>
June 30, 2021	\$ 614,116	\$ 263,076
June 30, 2022	614,116	641,439
June 30, 2023	549,659	178,568
June 30, 2024	550,131	141,670
June 30, 2025	93,491	43,993
June 30, 2026	<u>71,224</u>	<u>41,330</u>
Total	<u>\$ 2,492,737</u>	<u>\$ 1,310,076</u>

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is seven years as of the June 30, 2019 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period.

*Actuarial Assumptions.* The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2018 and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Experience Study	July 1, 2010, through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-Retirement Benefit Increases	2.00% simple for DB

Mortality assumptions are based on mortality rates from the most recent CalSTRS experience study adopted by the CalSTRS Board in February, 2017. The projection scale was set to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016), published by the Society of Actuaries.

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

*Actuarial 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.

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

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	4.8%
Private Equity	13%	6.3%
Real Estate	13%	3.6%
Inflation Sensitive	4%	3.3%
Risk Mitigating Strategies	9%	1.8%
Fixed Income	12%	1.3%
Cash/Liquidity	2%	(0.4)%

\* 20-year geometric average

*Discount Rate.* The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming the contributions, benefit payments, and administrative expense occurred 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 payment to determine the total pension liability.

Presented below is the District's proportionate share of the net pension liability of employers and the state using the current discount rate of 7.10 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one to three percent lower or one to three percent higher than the current rate:

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

*Discount Rate (Concluded).*

Discount Rate	Net Pension Liability of Employers
3% Decrease (4.10%)	\$ 39,790,638
2% Decrease (5.10%)	\$ 29,487,612
1% Decrease (6.10%)	\$ 21,067,862
Current Discount Rate (7.10%)	\$ 14,148,214
1% Increase (8.10%)	\$ 8,410,508
2% Increase (9.10%)	\$ 3,612,560
3% Increase (10.10%)	\$ (417,479)

B. California Public Employees Retirement System (CalPERS)

*Plan Description.* The Grass Valley Elementary School District contributes to the School Employer Pool, known as Fund B, (PERF B), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan of school employers consisting of non-teaching and non-certified employees administered by the California Public Employees' Retirement System (CalPERS). The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State of California statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a publicly available comprehensive annual financial report that can be obtained at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2019.pdf>.

*Contributions.* The benefits for the defined benefit pension plan are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the employee's date of hire. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with an additional amount to finance any unfunded accrued liability. The Grass Valley Elementary School District is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees. The required employer contribution rates on applicable annual payroll for the fiscal years ending June 30, 2020 and 2019 were 19.721% and 18.062%, respectively. The Grass Valley Elementary School District's employer contributions to CalPERS for the fiscal years ending June 30, 2020 and 2019 were \$844,742 and \$748,543, respectively and equal 100% of the required contributions for each year. The employer contribution rate for 2019-2020 was reduced by 1.012% from the 20.733% previously adopted due to Government Code section 20825.2(a).

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

*Benefits.* The PERF B provides defined benefit program benefits based on members' years of service, age, final compensation and benefit formula. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2020, the District reported a liability of \$9,561,136 for its proportionate share of the net pension liability for the PERF B. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the state, actuarially determined. At June 30, 2019, the District's proportion of contributions was 0.0328 percent, a decrease of 0.00062 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$2,028,748. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred Outflows and Inflows of Resources:		
Difference between expected and actual experience \$	694,522	
Changes in assumptions	455,140	
Net difference between projected and actual earnings on pension plan investments		\$ 88,681
Changes in proportion and differences between District contributions and proportionate share of contributions	120,735	182,446
District contributions subsequent to measurement date of June 30, 2019	844,742	
Totals	<u>\$ 2,115,139</u>	<u>\$ 271,127</u>

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded).* The \$844,742 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the PERF B pensions will be recognized as increases or decreases respectively in pension expense as follows:

	<u>Outflows</u>	<u>Inflows</u>
June 30, 2021	\$ 792,377	163,936
June 30, 2022	354,903	(116,952)
June 30, 2023	111,925	21,648
June 30, 2024	<u>11,192</u>	<u>202,495</u>
Total	<u>\$ 1,270,397</u>	<u>\$ 271,127</u>

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is four years as of the June 30, 2019 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period.

*Actuarial Assumptions.* For the year ended June 30, 2019, the total pension liability was determined by rolling forward the June 30, 2018 total pension liability. The financial reporting actuarial valuation as of June 30, 2018, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Experience Study	July 1, 1997, through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.50%
Wage Growth	Varies by entry age and service
Post-Retirement Benefit Increases	Contract COLA up to 2.00% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter

The PERF B uses a mortality table based on CalPERS specific data. The table includes fifteen years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016.

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

*Discount Rate.* The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool.

The following presents the net pension liability of the Plan as of June 30, 2019, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

Discount Rate	Plan's Net Pension Liability
1% Decrease (6.15%)	\$ 13,781,749
Current Discount Rate (7.15%)	\$ 9,561,136
1% Increase (8.15%)	\$ 6,059,846

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 table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

New Strategic Asset Class	Real Return Allocation	Real Return Years 1-10 <sup>1</sup>	Real Return Years 11+ <sup>2</sup>
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	0%	(0.92)%

<sup>1</sup> An expected inflation of 2.0% used for this period

<sup>2</sup> An expected inflation of 2.92% used for this period

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

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

*Pension Plan Fiduciary Net Position.* The plan fiduciary net position disclosed in this report may differ from the plan assets reported in the Schools Pool funding actuarial valuation reported due to several reasons. First, for the accounting valuation, items such as deficiency reserves, fiduciary self-insurance and OPEB expense are included in fiduciary net position. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early closing and final reconciled reserves.

C. Social Security

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

NOTE 12 - DEFICIT NET POSITION

The District ended the year with a \$556,345 deficit net position in the Child Nutrition Services Fund. The deficit is a result of recognizing the District's share of net pension liability and is expected to be eliminated in the future by operating surpluses and transfers from other District funds.

NOTE 13 - STUDENT ACTIVITY FUNDS

The Student Body Funds often engage in activities, which involve cash transactions. These transactions are not subject to adequate internal accounting control prior to deposits being recorded in the bank accounts. It has been determined on a cost benefit basis that providing increased internal control in this area does not justify the additional costs that would be necessary to control receipts prior to the point of deposit.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

A. Litigation

The District may be involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of any litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2020.

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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NOTE 14 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

B. 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.

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

C. Joint Ventures

Schools Insurance Group (SIG)

The District is a member of a Joint Powers Authority, Schools Insurance Group (SIG), for the operation of a common risk management and insurance program. The program covers workers' compensation, property/liability, and health and welfare insurance. The membership includes the school districts in Placer and Nevada counties and their respective County Offices. SIG is governed by an Executive Board consisting of representatives from member districts. The Executive Board controls the operations of SIG, including selections of management and approval of operating budgets. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The District pays premiums commensurate with the levels of coverage requested.

The following is a summary of the most recent financial information available for Schools Insurance Group at June 30, 2019:

Total assets	\$ 104,966,647
Total deferred outflows of resources	\$ 302,925
Total liabilities	\$ 38,704,856
Total deferred inflows of resources	\$ 68,338
Net position	\$ 66,496,378
Total revenues	\$ 92,255,000
Total expenditures	\$ 91,961,717
Change in net position	\$ 293,283

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 14 - COMMITMENTS AND CONTINGENCIES (CONCLUDED)

C. Joint Ventures (Concluded)

Nevada County Transportation Agency

The District is also a member in a Joint Powers Authority, Nevada County Transportation Agency, for the operation of pupil transportation in Nevada County. The following is a summary of financial information for the Nevada County Transportation Agency at June 30, 2020:

Total assets	\$303,544
Total liabilities	\$ 5,065
Total net position	\$298,479
Total revenues	\$ 10,604
Total expenditures	\$ 11,585
Change (decrease) in net position	\$ (981)

The relationship between the District and the Joint Power Authorities are such that these authorities are not component units of the District for financial reporting purposes.

D. Construction Commitments

As of June 30, 2020, the District had the following commitments with respect to unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Grass Valley Charter School Modernization	\$ 160,678	July, 2020
Scotten Elementary School Modernization	463,667	August, 2020
Lyman Gilmore Middle School Modernization	4,227,868	September, 2020
Bell Hill Academy MP Retaining Wall/Sitework	745,355	October, 2020
Total	\$ 5,597,568	

NOTE 15 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters.

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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NOTE 15 - RISK MANAGEMENT (CONCLUDED)

A. Property and Liability (Concluded)

During fiscal year ending June 30, 2020, the District contracted with Schools Insurance Group, JPA (SIG) for property and liability insurance coverage and also for theft insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant change in coverage from the prior year.

B. Workers' Compensation

For fiscal year 2019-2020, the District participated in the Schools Insurance Group, JPA (SIG), an insurance purchasing pool. The intent of the SIG pool is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the SIG pool. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the SIG pool. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the SIG pool. Participation in the SIG pool is limited to districts that can meet the SIG pool selection criteria.

NOTE 16 - SUBSEQUENT EVENTS

On August 11, 2020 the District issued \$1,735,000 of tax and revenue anticipation notes (TRAN) through the Cash Reserve Program sponsored by the California School Boards Association. The TRAN will mature on May 3, 2021 and bears interest of approximately 1.9%. The borrowing is to supplement cash flow.

Management has evaluated subsequent events through January 8, 2021, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET (GAAP) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local Control Funding				
Formula Sources:				
State Apportionments	\$ 5,140,597	\$ 4,888,426	\$ 4,457,944	\$ (430,482)
Local Sources	<u>7,528,314</u>	<u>7,718,262</u>	<u>8,158,122</u>	<u>439,860</u>
Total Local Control Funding				
Formula Sources	12,668,911	12,606,688	12,616,066	9,378
Federal Revenue	1,782,484	1,774,207	1,866,319	92,112
Other State Revenue	1,201,708	1,880,667	1,881,025	358
Other Local Revenue	<u>619,002</u>	<u>970,976</u>	<u>970,670</u>	<u>(306)</u>
Total Revenues	<u>16,272,105</u>	<u>17,232,538</u>	<u>17,334,080</u>	<u>101,542</u>
<b>EXPENDITURES</b>				
Certificated Salaries	7,184,350	7,249,785	7,211,365	38,420
Classified Salaries	2,941,201	3,079,879	3,079,140	739
Employee Benefits	3,929,426	4,395,767	4,395,085	682
Books and Supplies	387,169	479,331	365,231	114,100
Services and Other				
Operating Expenditures	1,007,007	1,396,249	1,396,687	(438)
Capital Outlay		6,200	6,188	12
Debt Service:				
Principal Retirement	18,499	18,499	18,499	
Interest and Fiscal Charges	3,547	3,547	3,547	
Other Outgo	<u>739,253</u>	<u>589,253</u>	<u>567,334</u>	<u>21,919</u>
Total Expenditures	<u>16,210,452</u>	<u>17,218,510</u>	<u>17,043,076</u>	<u>175,434</u>
Excess of Revenues				
Over Expenditures	61,653	14,028	291,004	276,976
Fund Balances - July 01, 2019	<u>906,246</u>	<u>1,252,954</u>	<u>1,252,954</u>	<u>0</u>
Fund Balances - June 30, 2020	<u>\$ 967,899</u>	<u>\$ 1,266,982</u>	<u>\$ 1,543,958</u>	<u>\$ 276,976</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET (GAAP) AND ACTUAL  
CHARTER SCHOOL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local Control Funding				
Formula Sources:				
State Apportionments	\$ 1,316,457	\$ 1,268,216	\$ 1,236,129	\$ (32,087)
Local Sources	<u>2,973,831</u>	<u>3,089,316</u>	<u>3,122,101</u>	<u>32,785</u>
Total Local Control Funding				
Formula Sources	4,290,288	4,357,532	4,358,230	698
Other State Revenue	109,035	334,586	350,726	16,140
Other Local Revenue	<u>254,044</u>	<u>184,949</u>	<u>184,114</u>	<u>(835)</u>
Total Revenues	<u>4,653,367</u>	<u>4,877,067</u>	<u>4,893,070</u>	<u>16,003</u>
<b>EXPENDITURES</b>				
Certificated Salaries	1,958,645	2,047,683	2,046,930	753
Classified Salaries	588,057	680,210	679,667	543
Employee Benefits	845,466	1,139,190	1,138,625	565
Books and Supplies	320,725	304,258	226,635	77,623
Services and Other				
Operating Expenditures	773,525	769,239	768,529	710
Other Outgo	<u>125,733</u>	<u>128,733</u>	<u>128,093</u>	<u>640</u>
Total Expenditures	<u>4,612,151</u>	<u>5,069,313</u>	<u>4,988,479</u>	<u>80,834</u>
Excess of Revenues				
Over (Under) Expenditures	41,216	(192,246)	(95,409)	96,837
Fund Balances - July 01, 2019	<u>283,777</u>	<u>418,310</u>	<u>418,310</u>	<u>0</u>
Fund Balances - June 30, 2020	<u>\$ 324,993</u>	<u>\$ 226,064</u>	<u>\$ 322,901</u>	<u>\$ 96,837</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**California State Teachers' Retirement System (CalSTRS)**

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 with District	Total NPL Attributed to District	District's Covered-Employee Payroll	District's Proportionate Share of the NPL as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2020	0.0157%	\$ 14,148,214	\$ 7,718,857	\$ 21,867,071	\$ 8,876,658	159%	73%
2019	0.0151%	\$ 13,923,123	\$ 7,971,678	\$ 21,894,801	\$ 8,216,202	170%	71%
2018	0.0150%	\$ 13,856,510	\$ 8,197,460	\$ 22,053,970	\$ 7,932,086	175%	70%
2017	0.0154%	\$ 12,423,450	\$ 7,073,490	\$ 19,496,940	\$ 8,017,130	155%	70%
2016	0.0156%	\$ 10,515,705	\$ 5,541,512	\$ 16,057,217	\$ 7,138,288	147%	74%
2015	0.0150%	\$ 8,765,550	\$ 5,367,875	\$ 14,133,425	\$ 6,898,061	127%	77%

**Public Employee Retirement System (CalPERS)**

Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	District's Covered-Employee Payroll	District's Proportionate Share of the NPL as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2020	0.0328%	\$ 9,561,136	\$ 4,144,756	231%	70%
2019	0.0334%	\$ 8,912,280	\$ 4,417,816	202%	71%
2018	0.0334%	\$ 7,972,303	\$ 4,650,446	171%	72%
2017	0.0309%	\$ 6,573,128	\$ 4,006,913	164%	74%
2016	0.0336%	\$ 4,953,665	\$ 3,408,190	145%	79%
2015	0.0319%	\$ 3,621,426	\$ 3,356,144	108%	83%

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT  
SCHEDULES OF THE DISTRICT'S CONTRIBUTIONS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

**California State Teachers' Retirement System (CalSTRS)**

Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 1,618,417	\$ (1,618,417)	\$ 0	\$ 9,464,427	17.10%
2019	\$ 1,445,120	\$ (1,445,120)	\$ 0	\$ 8,876,658	16.28%
2018	\$ 1,185,598	\$ (1,185,598)	\$ 0	\$ 8,216,202	14.43%
2017	\$ 997,856	\$ (997,856)	\$ 0	\$ 7,932,083	12.58%
2016	\$ 860,238	\$ (860,238)	\$ 0	\$ 8,017,130	10.73%
2015	\$ 433,880	\$ (433,880)	\$ 0	\$ 7,138,288	6.08%

**Public Employee Retirement System (CalPERS)**

Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 844,742	\$ (844,742)	\$ 0	\$ 4,283,464	19.72%
2019	\$ 748,543	\$ (748,543)	\$ 0	\$ 4,144,756	18.06%
2018	\$ 686,131	\$ (686,131)	\$ 0	\$ 4,417,816	15.53%
2017	\$ 645,854	\$ (645,854)	\$ 0	\$ 4,650,446	13.89%
2016	\$ 474,699	\$ (474,699)	\$ 0	\$ 4,006,913	11.85%
2015	\$ 401,178	\$ (401,178)	\$ 0	\$ 3,408,190	11.77%

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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NOTE 1 - PURPOSE OF SCHEDULES

A. Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund and the Charter School Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

The excess of expenditures over appropriations in individual governmental funds at June 30, 2020 are as follows:

<u>Fund</u>	<u>Excess Expenditures</u>
Major Governmental Funds:	
General Fund	
Contract Services	\$ 438

The District incurred unanticipated expenditures for which the budget was not revised.

B. Schedules of District's Proportionate Share of the Net Pension Liability

These schedules present information on the District's portion of the Net Pension Liability of CalSTRS and the Net Pension Liability of CalPERS in compliance with GASB 68. The amounts presented for each fiscal year were determined as of the measurement date that occurred one year prior.

These will be 10-year schedules. Years will be added to these schedules in future fiscal years until 10 years of information is available.

C. Schedules of the District's Contributions

These schedules provide information about the District's required and actual contributions to CalSTRS and CalPERS during the year.

These will be 10-year schedules. Years will be added to these schedules in future fiscal years until 10 years of information is available.

SUPPLEMENTARY INFORMATION SECTION

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

GRASS VALLEY, CALIFORNIA

JUNE 30, 2020

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ORGANIZATION

Grass Valley Elementary School District was established in 1868 and is comprised of an area of approximately 80 square miles located in Nevada County. There were no changes in the boundaries of the District during the current year. The District is currently operating two elementary schools, one middle school and one charter school.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Lisa Jarvis	President	December 2022
Frank P. Bennallack	Clerk	December 2020
Jeanne Michael	Trustee	December 2022
Andrea Bradley	Trustee	December 2022
Thomas J. Pettitt	Trustee	December 2020

ADMINISTRATION

Andrew Withers  
Superintendent

Brian Martinez  
Assistant Superintendent

Jodi LaCosse  
Business Manager

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Second Period Report <u>2C84BC91</u>	Annual Report <u>7E0EAAAE</u>
Regular ADA		
Transitional Kindergarten through Third	548	548
Fourth through Sixth	407	407
Seventh and Eighth	248	248
Special Education - Nonpublic, Nonsectarian Schools		
Fourth through Sixth	<u>1</u>	<u>1</u>
ADA Totals	<u>1,204</u>	<u>1,204</u>

Grass Valley Charter School

	Second Period Report <u>87A74651</u>	Annual Report <u>2374568B</u>
Regular ADA		
Transitional Kindergarten through Third	218	218
Classroom-based ADA for TK through Third	181	181
Fourth through Sixth	170	170
Classroom-based ADA for Fourth through Sixth	139	139
Seventh and Eighth	111	111
Classroom-based ADA for Seventh through Eighth	<u>92</u>	<u>92</u>
ADA Totals	<u>499</u>	<u>499</u>
Classroom-based ADA Totals	<u>412</u>	<u>412</u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME OFFERED

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Grade Level	Minutes Requirement	2019-2020 Actual Minutes Offered or Waived	Minutes Credited Via COVID-19 School Closure Certification	2019-2020 Adjusted Minutes	2019-2020 Actual Days Offered or Waived	Days Credited Via COVID-19 School Closure Certification	2019-2020 Adjusted Days	Status
TK	36,000	37,980	16,120	54,100	126	54	180	In Compliance
Kindergarten	36,000	37,125	15,775	52,900	126	54	180	In Compliance
Grade 1	50,400	37,980	16,120	54,100	126	54	180	In Compliance
Grade 2	50,400	37,980	16,120	54,100	126	54	180	In Compliance
Grade 3	50,400	38,115	16,185	54,300	126	54	180	In Compliance
Grade 4	54,000	38,115	16,185	54,300	126	54	180	In Compliance
Grade 5	54,000	40,995	17,405	58,400	126	54	180	In Compliance
Grade 6	54,000	40,995	17,405	58,400	126	54	180	In Compliance
Grade 7	54,000	40,995	17,405	58,400	126	54	180	In Compliance
Grade 8	54,000	40,995	17,405	58,400	126	54	180	In Compliance

Grass Valley Charter School

Grade Level	Minutes Requirement	2019-2020 Actual Minutes Offered or Waived	Minutes Credited Via COVID-19 School Closure Certification	2019-2020 Adjusted Minutes	2019-2020 Actual Days Offered or Waived	Days Credited Via COVID-19 School Closure Certification	2019-2020 Adjusted Days	Status
TK	36,000	39,350	16,880	56,230	126	54	180	In Compliance
Kindergarten	36,000	39,350	16,880	56,230	126	54	180	In Compliance
Grade 1	50,400	39,350	16,880	56,230	126	54	180	In Compliance
Grade 2	50,400	39,350	16,880	56,230	126	54	180	In Compliance
Grade 3	50,400	39,350	16,880	56,230	126	54	180	In Compliance
Grade 4	54,000	39,350	16,880	56,230	126	54	180	In Compliance
Grade 5	54,000	39,350	16,880	56,230	126	54	180	In Compliance
Grade 6	54,000	42,005	16,395	58,400	126	54	180	In Compliance
Grade 7	54,000	42,005	16,395	58,400	126	54	180	In Compliance
Grade 8	54,000	42,005	16,395	58,400	126	54	180	In Compliance

SEE NOTES TO SUPPLEMENTARY INFORMATION

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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<u>Charter Schools Chartered by District</u>	<u>Charter School Number</u>	<u>Included in District Financial Statements, or Separate Report</u>
Grass Valley Charter School	0022	Included in Charter School Fund

SEE NOTES TO SUPPLEMENTARY INFORMATION

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Program Name:	Federal Catalog Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. Department of Agriculture:			
Child Nutrition Cluster:			
Donated Food Commodities	10.555*	N/A	\$ 92,459
Passed through the California			
Department of Education (CDE):			
Child Nutrition Cluster:			
National School Lunch (Sec 4 and Sec 11)	10.555*	13523/13524	327,666
Meal Supplements in National School Lunch Program	10.555*	13755	1,638
School Breakfast Needy	10.553*	13526	49,026
School Breakfast	10.553*	13525	71,883
Subtotal Child Nutrition Cluster			<u>542,672</u>
Child and Adult Care Food Program	10.558	13529/13534	91,761
Passed through the Nevada County Office of Education:			
Forest Reserve Funds	10.665	10044	8,006
Total U.S. Department of Agriculture			<u>642,439</u>
US. Department of Education:			
Passed through the Nevada County Office of Education:			
Special Education Cluster:			
IDEA, Basic Local Assistance, Part B, Section 611	84.027	13379	345,271
IDEA, Local Assistance, Part B, Section 611, Private Schools ISPs	84.027	10115	5,426
IDEA, Preschool Local Entitlements Part B, Section 611	84.027A	13682	200,941
IDEA, Preschool Grants	84.173	13430	65,743
Subtotal Special Education Cluster			<u>617,381</u>
Passed through CDE:			
ESEA (ESSA): Title I, Part A, Basic Grants Low Income and Neglected	84.010	14329	710,005
ESEA (ESSA): School Improvement (CSI) Funding for LEAs	84.010	15438	153,487
Subtotal Title I			<u>863,492</u>
ESEA (ESSA): Title II, Part A, Supporting Effective Instruction	84.367	14341	83,259
ESEA (ESSA): Title IV, Part A, Student Support and Academic			
Enrichment Grant	84.424	15396	28,391
ESEA (ESSA): Title IV, Part B, 21st Century Community Learning Ctr.	84.287C	14349	30,133
ESEA (ESSA): Title V, Part B, Rural and Low Income School Program (REAP)	84.358	14356	35,155
Emergency Impact Aid for Displaced Students	84.938	15432	67,031
Total U.S. Department of Education			<u>1,724,842</u>
U.S. Department of Health and Human Services:			
Title XIX, Medicaid Cluster:			
Passed through the Nevada County Office of Education:			
Medi-Cal Billing Option	93.778	10013	28,601
Passed through the Sutter County Office of Education:			
Medical Administrative Activities (MAA)	93.778	10060	76,880
Subtotal Title XIX, Medicaid Cluster			<u>105,481</u>
Passed through CDE:			
Child Care and Development Block Grant Cluster:			
CCDF Discretionary General Child Care	93.575	15136	48,195
CCDF Matching General Child Care	93.596	13609	104,842
Subtotal Child Care and Development Block Grant Cluster			<u>153,037</u>
Total U.S. Department of Health and Human Services			<u>258,518</u>
Total Federal Programs			<u>\$ 2,625,799</u>

\* Denotes a Major Program

SEE NOTES TO SUPPLEMENTARY INFORMATION

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT  
RECONCILIATION OF UNAUDITED ACTUALS  
WITH AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Cafeteria Fund</u>	<u>Building Fund</u>	<u>Child Nutrition Services Fund</u>
June 30, 2020, Annual Unaudited Actual Financial Report:			
Fund Balance	\$ 23,889	\$ 8,702,167	
Net Position (Deficit)			\$ (394,151)
Adjustments and Reclassifications Increasing (Decreasing) the Fund Balance/Net Position:			
Understatement of Federally Donated Commodities			92,459
Overstatement of Other Local Revenue			(160,236)
Understatement of Employee Benefits			(1,958)
Understatement of Food Supplies	(23,889)		(92,459)
Understatement of Capital Outlay		(362,577)	
Net Adjustments and Reclassifications	(23,889)	(362,577)	(162,194)
June 30, 2020, Audited Financial Statement:			
Fund Balance	\$ 0	\$ 8,339,590	
Net Position			\$ (556,345)

Auditor's Comments

The audited financial statements of all other funds were in agreement with the Unaudited Actual Financial Report for the year ended June 30, 2020.

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Budget 2020-2021	2019-2020	2018-2019	2017-2018
<u>General Fund</u>				
Revenues and Other Financial Sources	\$ 15,593,993	\$ 17,334,080	\$ 17,614,845	\$ 15,663,067
Expenditures	15,999,339	17,043,076	17,094,678	16,162,389
Other Uses and Transfers Out	0	0	0	22,631
Total Outgo	15,999,339	17,043,076	17,094,678	16,185,020
Change in Fund Balance (Decrease)	(405,346)	291,004	520,167	(521,953)
Ending Fund Balance	\$ 861,638	\$ 1,543,958	\$ 1,252,954	\$ 732,787
Available Reserves	\$ 564,094	\$ 937,047	\$ 732,423	\$ 548,001
Reserve for Economic Uncertainties	\$ 564,094	\$ 937,047	\$ 732,423	\$ 548,001
Available Reserves as a Percentage of Total Outgo	3.5%	5.5%	4.3%	3.4%
Total Long-Term Debt	\$ 40,739,727	\$ 41,574,857	\$ 41,391,441	\$ 21,967,325
Average Daily Attendance at P-2	1,199	1,204	1,207	1,144

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.

Available reserves consist of all unassigned fund balances contained in the General Fund. For a District this size the State recommends available reserves of at least 3 percent of total general fund expenditures, transfers out and other uses (total outgo).

The General Fund Balance has increased by \$289,218 over the past three years. The long-term debt has increased \$19,607,532 over the past two years primarily due to the increase in the District's proportionate share of the unfunded net pension liability and the issuance of Measure D General Obligation Bonds.

Average Daily Attendance (ADA) as shown above has increased 60 during the past two years.

The amounts reported as Budget 2020-2021 are presented for additional analysis and have not been audited.

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2020

	Child Development Fund	Cafeteria Fund	Bond Interest and Redemption Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
<b>ASSETS</b>						
Cash	\$ 495,133	\$ 22,714	\$ 476,083	\$ 271,385	\$ 312,775	\$ 1,578,090
Accounts Receivable	18,589	75,726		38,339		132,654
Total Assets	<u>\$ 513,722</u>	<u>\$ 98,440</u>	<u>\$ 476,083</u>	<u>\$ 309,724</u>	<u>\$ 312,775</u>	<u>\$ 1,710,744</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts Payable	\$ 118,810	\$ 38,876				\$ 157,686
Unearned Revenue	11,819					11,819
Due to Other Funds	64,003	59,564		\$ 109,611		233,178
Total Liabilities	<u>194,632</u>	<u>98,440</u>		<u>109,611</u>		<u>402,683</u>
Fund Balances:						
Restricted	118,051		\$ 476,083	200,113		794,247
Assigned	201,039				\$ 312,775	513,814
Total Fund Balances	<u>319,090</u>	<u>0</u>	<u>476,083</u>	<u>200,113</u>	<u>312,775</u>	<u>1,308,061</u>
Total Liabilities and Fund Balances	<u>\$ 513,722</u>	<u>\$ 98,440</u>	<u>\$ 476,083</u>	<u>\$ 309,724</u>	<u>\$ 312,775</u>	<u>\$ 1,710,744</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

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

	Child Development Fund	Cafeteria Fund	Bond Interest and Redemption Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non- Major Governmental Funds
<b>REVENUES</b>						
Federal Revenue	\$ 153,037	\$ 541,974				\$ 695,011
Other State Revenue	559,262	37,172	\$ 2,397			598,831
Other Local Revenue	253,355	42,979	265,298	\$ 180,257	\$ 2,945	744,834
<b>Total Revenues</b>	<b>965,654</b>	<b>622,125</b>	<b>267,695</b>	<b>180,257</b>	<b>2,945</b>	<b>2,038,676</b>
<b>EXPENDITURES</b>						
Classified Salaries	541,537	118,342				659,879
Employee Benefits	245,339	37,250				282,589
Books and Supplies	49,697	479,853				529,550
Services and Other						
Operating Expenditures	84,986			19,702		104,688
Capital Outlay				159,611		159,611
Debt Service:						
Principal Retirement			775,000			775,000
Interest and Fiscal Charges			805,575			805,575
Other Outgo	32,145					32,145
<b>Total Expenditures</b>	<b>953,704</b>	<b>635,445</b>	<b>1,580,575</b>	<b>179,313</b>	<b>0</b>	<b>3,349,037</b>
Excess of Revenues Over Under Expenditures	11,950	(13,320)	(1,312,880)	944	2,945	(1,310,361)
Other Financing Sources (Uses):						
Operating Transfers In					61,400	61,400
Operating Transfers Out				(61,400)		(61,400)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(61,400)</b>	<b>61,400</b>	<b>0</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	11,950	(13,320)	(1,312,880)	(60,456)	64,345	(1,310,361)
Fund Balances - July 01, 2019	307,140	13,320	1,788,963	260,569	248,430	2,618,422
Fund Balances - June 30, 2020	<u>\$ 319,090</u>	<u>\$ 0</u>	<u>\$ 476,083</u>	<u>\$ 200,113</u>	<u>\$ 312,775</u>	<u>\$ 1,308,061</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Balance July 01, 2019	Additions	Deductions	Balance June 30, 2020
<u>Elementary Schools</u>				
<b>ASSETS</b>				
Cash	\$ 10,639	\$ 0	\$ 0	\$ 10,639
<b>LIABILITIES</b>				
Due to Student Groups	\$ 10,639	\$ 0	\$ 0	\$ 10,639
<u>Junior High School</u>				
<b>ASSETS</b>				
Cash	\$ 28,540	\$ 28,829	\$ 26,476	\$ 30,893
<b>LIABILITIES</b>				
Due to Student Groups	\$ 28,540	\$ 28,829	\$ 26,476	\$ 30,893
<u>Total - All Agency Funds</u>				
<b>ASSETS</b>				
Cash	\$ 39,179	\$ 28,829	\$ 26,476	\$ 41,532
<b>LIABILITIES</b>				
Due to Student Groups	\$ 39,179	\$ 28,829	\$ 26,476	\$ 41,532

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. 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. Senate Bill 117 (Chapter 3, Statutes of 2020) shortened the periods used to calculate average daily attendance-based apportionment to include all full school months from July 1, 2019 to February 29, 2020.

B. Schedule of Instructional Time

This schedule presents information on the amount of instructional time and number of days offered by the District and Charter School and whether the District and Charter School complied with the provisions of *Education Code* Sections 46207 - 46208 and 47612 - 47612.5, respectively. On June 30, 2020 the District certified all schools were closed due to COVID-19 from March 16, 2020 to June 5, 2020 for a total of 54 instructional days. The District also received approval for its request for five emergency closure days for all schools. These actions allow the school closure days to be used to meet the instructional time requirements noted above.

C. Schedule of Charter Schools

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school as to whether or not the charter school is included in the District audit.

D. Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The amount of Federal revenue reported in the financial statements, including Donated Food Commodities reported in the Proprietary Fund, is \$27,990 more than the total Federal expenditures due to revenue recognition differences in the Medicaid Cluster of programs. The District has not used the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES (CONCLUDED)

E. Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the Unaudited Actual Financial Report to the audited financial statements.

F. Schedule of Financial Trends and Analysis

This schedule is presented to improve the evaluation and reporting of the going concern status of the District.

G. Combining Statements and Individual Fund Schedules

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

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION



Certified Public Accountant

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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  
Grass Valley Elementary School District  
Grass Valley, California

I have audited, 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, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Grass Valley Elementary School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Grass Valley Elementary School District's basic financial statements, and have issued my report thereon dated January 8, 2021.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-001 that I consider to be a significant deficiency.

### **Compliance and Other Matters**

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

### **Grass Valley Elementary School District's Response to Findings**

Grass Valley Elementary School District's response to the finding identified in my audit is described in the accompanying schedule of findings and questioned costs. Grass Valley Elementary School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my 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.



MICHELLE M. HANSON  
Certified Public Accountant

January 8, 2021



Certified Public Accountant

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

Board of Trustees  
Grass Valley Elementary School District  
Grass Valley, California

**Report on Compliance for Each Major Federal Program**

I have audited Grass Valley Elementary School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Grass Valley Elementary School District's major federal programs for the year ended June 30, 2020. Grass Valley Elementary School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of Grass Valley Elementary School District's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I 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 a major federal program occurred. An audit includes examining, on a test basis, evidence about Grass Valley Elementary School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Grass Valley Elementary School District's compliance.

**Opinion on Each Major Federal Program**

In my opinion, Grass Valley Elementary School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

### **Report on Internal Control Over Compliance**

Management of Grass Valley Elementary School District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Grass Valley Elementary School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Grass Valley Elementary School District's internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



MICHELLE M. HANSON  
Certified Public Accountant

January 8, 2021



Certified Public Accountant

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INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Trustees  
Grass Valley Elementary School District  
Grass Valley, California

I have audited Grass Valley Elementary School District’s compliance with the types of compliance requirements described in the 2019-2020 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 Grass Valley Elementary School District’s State government programs as noted below for the year ended June 30, 2020.

**Management’s Responsibility**

Management is responsible for compliance with the requirements of State laws and regulations.

**Auditor’s Responsibility**

My responsibility is to express an opinion on compliance with State laws and regulations of Grass Valley Elementary School District’s State government programs based on my audit of the types of compliance requirements referred to below. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the 2019-2020 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting. Those standards require that I 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 applicable State laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about Grass Valley Elementary School District’s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion. However, my audit does not provide a legal determination of Grass Valley Elementary School District’s compliance with those requirements.

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

<u>Description</u>	<u>Procedures Performed</u>
<b>Local Education Agencies Other Than Charter Schools:</b>	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see next page)
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort (MOE)	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable

<u>Description</u>	<u>Procedures Performed</u>
<b>School Districts, County Office of Education and Charter Schools:</b>	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
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
<b>Charter Schools:</b>	
Attendance	Yes
Mode of Instruction	Yes
Non-Classroom-Based Instruction/Independent Study	Yes
Determination of Funding for Non-Classroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	Not Applicable

Procedures were not performed for Independent Study attendance because the average daily attendance generated by the program was below the level required for testing.

Procedures were not performed on the items marked “Not Applicable” because the District and/or Charter School does not operate those programs.

**Opinion on Each State Government Program**

In my opinion, Grass Valley Elementary School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its State government programs for the year ended June 30, 2020.

**Purpose of this Report**

The purpose of this report on compliance is solely to describe the scope of my testing of compliance and the results of that testing based on the requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



MICHELLE M. HANSON  
 Certified Public Accountant

January 8, 2021

## FINDINGS AND QUESTIONED COSTS SECTION

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT  
SUMMARY OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2020

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:  
 Material weakness(es) identified?  Yes  No  
 Significant deficiency(ies) identified that are not considered to be material weakness?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

*Federal Awards*

Internal control over financial reporting:  
 Material weakness(es) identified?  Yes  No  
 Significant deficiency(ies) identified that are not considered to be material weakness?  Yes  None reported

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

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

Identification of major programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555	Child Nutrition Cluster

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

Auditee qualified as low-risk auditee?  Yes  No

*State Awards*

Internal control over state programs:  
 Material weakness(es) identified?  Yes  No  
 Significant deficiency(ies) identified that are not considered to be material weakness?  Yes  None reported

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

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT

SUMMARY OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2020

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**Section II - Financial Statements Findings**

2020-001 - ASSOCIATED STUDENT BODY (ASB) - CASH DISBURSEMENTS - 30000

Criteria: *California Education Code* Section 48933(b) states expenditures from associated student body (ASB) accounts should be approved PRIOR to purchase. In an elementary school district (also known as an unorganized ASB) there is generally more adult supervision and pre-approval is allowed to be given by the employee or official the governing Board has appointed as trustee over the funds, typically the site principal or vice principal. However, when there is a student council, they too could provide the prior approval for purchases under the guidance of the adults to help them follow laws, regulations, and district Board policy. The student council is composed of the student leaders who are selected by their fellow students and ultimately should decide how funds raised will be spent to enhance their educational experience.

Statement of Condition: During the testing of controls over cash disbursements by the ASB at Lyman Gilmore Middle School, I noted all approvals occurred after the purchase has been made, but prior to the check being written.

Cause: The District procedures regarding proper controls and supporting documentation for transactions involving ASB funds were not followed. The administrator and students were asked to approve payments for reimbursement rather than approve the purchase itself.

Effect or Potential Effect: Without the required prior authorization as identified above, the District is unable to show the students have been involved and agree on the decisions of how the ASB funds are spent prior to them being spent and is not complying with the Education Code. Deficiencies in internal control limit management's control over assets and facilitates an environment where misappropriation of assets may go undetected.

Questioned Costs: There were no questioned costs associated with this finding.

Recommendation: All expenditures of ASB funds should be approved in advance by either the student council or the designated employee appointed as trustee over the funds. This finding is being repeated from the prior year.

Corrective Action: The District will continue to work with the site on proper pre-approvals for ASB purchases. Updated District forms were created for 19/20, however they were not implemented at the site level. A new ASB advisor for the 2020/21 school year has been identified and the District has met with the advisor and reviewed the process for proper cash disbursement management. The District Office will closely monitor cash disbursement requests and student body meeting minutes to ensure the proper process is being followed.

**Section III - Federal Award Findings and Questioned Costs**

No matters are reported.

**Section IV - State Award Findings and Questioned Costs**

No matters are reported.

GRASS VALLEY ELEMENTARY SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

JUNE 30, 2020

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2019-001: All expenditures of ASB funds should be approved in advance by each of the three required, authorized individuals.

Current Status:

Not implemented, see repeat finding 2020-001

2019-002: The Charter School should implement procedures to ensure no days of apportionment are claimed for independent study prior to the receipt of written permission by the parent/legal guardian of the student. The 2018-2019 attendance reports should be revised accordingly and submitted to the California Department of Education so apportionment will be adjusted in 2019-2020.

Current Status:

Accepted

Implemented