

**FORESTVILLE UNION SCHOOL DISTRICT
SONOMA COUNTY
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2019**



FORESTVILLE UNION SCHOOL DISTRICT
For the Fiscal Year Ended June 30, 2019
Table of Contents

FINANCIAL SECTION

| | <u>Page</u> |
|---|-------------|
| Independent Auditors' Report | 1 |
| Management's Discussion and Analysis..... | 3 |
| Basic Financial Statements: | |
| Government-Wide Financial Statements: | |
| Statement of Net Position | 11 |
| Statement of Activities..... | 12 |
| Governmental Funds Financial Statements: | |
| Balance Sheet..... | 13 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 14 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances..... | 15 |
| Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities..... | 16 |
| Notes to Financial Statements | 17 |

REQUIRED SUPPLEMENTARY INFORMATION

| | |
|--|----|
| Budgetary Comparison Schedule – General Fund | 52 |
| Schedule of Proportionate Share of the Net Pension Liability | 53 |
| Schedule of Pension Contributions | 54 |
| Schedule of Changes in the District's Total OPEB Liability and Related Ratios | 55 |
| Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program | 56 |
| Notes to the Required Supplementary Information | 57 |

SUPPLEMENTARY INFORMATION

| | |
|--|----|
| Local Educational Agency Organization Structure..... | 59 |
| Schedule of Average Daily Attendance | 60 |
| Schedule of Instructional Time | 61 |
| Schedule of Financial Trends and Analysis..... | 62 |
| Reconciliation of Annual Financial and Budget Report with Audited Financial Statements | 63 |
| Schedule of Charter Schools | 64 |
| Note to the Supplementary Information..... | 65 |

FORESTVILLE UNION SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2019

Table of Contents

OTHER INDEPENDENT AUDITORS' REPORTS

Page

Independent Auditors' 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*.....66

Independent Auditors' Report on State Compliance.....68

FINDINGS AND RECOMMENDATIONS

Schedule of Audit Findings and Recommendations:

 Summary of Auditors' Results.....70

 Current Year Audit Findings and Recommendations71

 Summary Schedule of Prior Audit Findings75

Management Letter76

Financial Section

(This page intentionally left blank)

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Forestville Union School District
Forestville, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters*Required Supplementary Information*

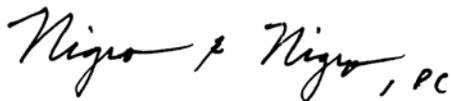
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the District's total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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information on pages 60 to 63 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 our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on pages 59 and 64 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the District's internal control over financial reporting and compliance.



Murrieta, California
December 5, 2019

FORESTVILLE UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

This discussion and analysis of Forestville Union School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position increased by approximately 11.2% over the course of the year.
- The total cost of the basic programs was \$4.9 million. Because a portion of these costs was paid for with charges, fees and intergovernmental aid, the net cost that required taxpayer funding was \$4.4 million.
- The District decreased its outstanding long-term debt other than pensions by roughly \$1.0 million.
- Average daily attendance (ADA) in grades K-6 decreased by 42.
- Governmental funds increased by \$0.3 million, or 9.2%.
- Reserves for the General Fund increased by \$0.2 million, or 22.3%.

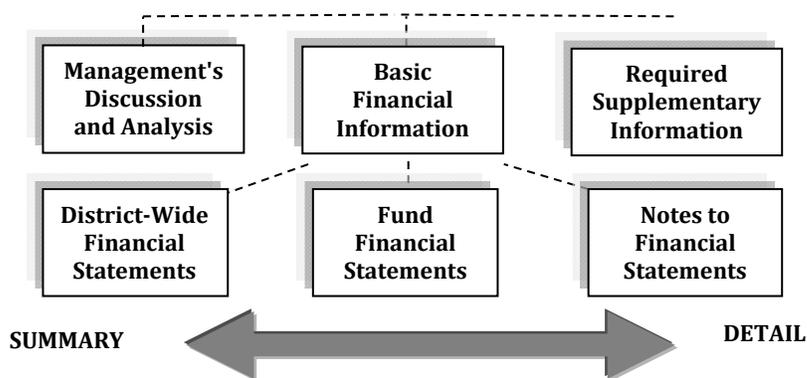
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - The *governmental funds statements* tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1. Organization of Forestville Union School District's Annual Financial Report



FORESTVILLE UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

| Type of Statements | District-Wide | Governmental Funds |
|---|--|--|
| <i>Scope</i> | Entire District, except fiduciary activities | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance |
| <i>Required financial statements</i> | <ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities | <ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances |
| <i>Accounting basis and measurement focus</i> | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus |
| <i>Type of asset/liability information</i> | All assets and liabilities, both financial and capital, short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included |
| <i>Type of inflow/outflow information</i> | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter |

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

FORESTVILLE UNION SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District-Wide Statements

The district-wide statements report 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. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

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 by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues.

The District has one type of fund:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.

FORESTVILLE UNION SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

For the Fiscal Year Ended June 30, 2019

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was higher on June 30, 2019, than it was the year before – increasing 11.2% to \$(4.4) million (See Table A-1).

Table A-1: Statement of Net Position

| | Governmental Activities | | Variance Increase (Decrease) |
|---------------------------------------|-------------------------|-----------------------|------------------------------------|
| | 2019 | 2018* | |
| Assets | | | |
| Current assets | \$ 3,575,159 | \$ 3,070,289 | \$ 504,870 |
| Capital assets | 6,489,492 | 6,894,073 | (404,581) |
| Total assets | <u>10,064,651</u> | <u>9,964,362</u> | <u>100,289</u> |
| Deferred outflows of resources | <u>1,198,239</u> | <u>1,644,950</u> | <u>(446,711)</u> |
| Liabilities | | | |
| Current liabilities | 551,561 | 317,925 | 233,636 |
| Long-term liabilities | 10,175,794 | 11,189,063 | (1,013,269) |
| Net pension liability | 3,510,598 | 3,853,731 | (343,133) |
| Total liabilities | <u>14,237,953</u> | <u>15,360,719</u> | <u>(1,122,766)</u> |
| Deferred inflows of resources | <u>1,386,904</u> | <u>1,161,517</u> | <u>225,387</u> |
| Net position | | | |
| Net investment in capital assets | (2,066,772) | (1,320,416) | (746,356) |
| Restricted | 965,906 | 980,679 | (14,773) |
| Unrestricted | (3,261,101) | (4,573,187) | 1,312,086 |
| Total net position | <u>\$ (4,361,967)</u> | <u>\$ (4,912,924)</u> | <u>\$ 550,957</u> |

* As restated

Changes in net position, governmental activities. The District's total revenues decreased 2.3% to \$5.4 million (See Table A-2). The decrease is due primarily to decreases in operating grants and general revenues.

The total cost of all programs and services decreased 1.7% to \$4.9 million. The District's expenses are predominantly related to educating and caring for students, 62.6%. The purely administrative activities of the District accounted for just 12.0% of total costs. A significant contributor to the decrease in costs was instructional-related expenses due to decreased ADA.

FORESTVILLE UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table A-2: Statement of Activities

| | Governmental Activities | | Variance Increase (Decrease) |
|--------------------------------------|--------------------------------|-----------------------|---|
| | 2019 | 2018 | |
| Revenues | | | |
| Program Revenues: | | | |
| Charges for services | \$ 22,229 | \$ 23,456 | \$ (1,227) |
| Operating grants and contributions | 399,864 | 518,965 | (119,101) |
| General Revenues: | | | |
| Property taxes | 3,882,080 | 3,789,393 | 92,687 |
| Federal and state aid not restricted | 901,673 | 851,630 | 50,043 |
| Other general revenues | 211,619 | 361,839 | (150,220) |
| Total Revenues | 5,417,465 | 5,545,283 | (127,818) |
| Expenses | | | |
| Instruction-related | 2,643,753 | 2,691,733 | (47,980) |
| Pupil services | 403,039 | 362,610 | 40,429 |
| Administration | 582,073 | 484,569 | 97,504 |
| Plant services | 666,199 | 462,953 | 203,246 |
| All other activities | 571,444 | 948,842 | (377,398) |
| Total Expenses | 4,866,508 | 4,950,707 | (84,199) |
| Increase (decrease) in net position | 550,957 | 594,576 | \$ (43,619) |
| Total net position | \$ (4,361,967) | \$ (4,912,924) | |

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$3.1 million, which is above last year's ending fund balance of \$2.9 million. The primary cause of the increased fund balance is increased general fund revenues.

Table A-3: The District's Fund Balances

| Fund | Fund Balances | | | | |
|---------------------------------------|----------------------|---------------------|---------------------|-----------------------------|---------------------|
| | July 1, 2018 | Revenues | Expenditures | Other Sources and (Uses) | June 30, 2019 |
| General Fund | \$ 1,993,136 | \$ 4,789,926 | \$ 4,392,654 | \$ (62,303) | \$ 2,328,105 |
| Cafeteria Fund | - | 78,339 | 140,642 | 62,303 | - |
| Capital Facilities Fund | 41,577 | 822 | 7,609 | - | 34,790 |
| Special Reserve Fund (Capital Outlay) | 69,200 | 1,431 | - | - | 70,631 |
| Bond Interest and Redemption Fund | 775,180 | 748,875 | 812,775 | - | 711,280 |
| | \$ 2,879,093 | \$ 5,619,393 | \$ 5,353,680 | \$ - | \$ 3,144,806 |

FORESTVILLE UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (continued)

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increased by \$0.3 million primarily to reflect federal and state budget actions.
- Salaries and benefits costs – increased by \$0.1 million to reflect revised cost estimates.
- Other non-capital costs – increased \$0.5 million to re-budget carryover funds.

While the District's final budget for the General Fund anticipated that revenues would fall short of expenditures by about \$0.1 million, the actual results for the year show that revenues exceeded expenditures by roughly \$0.4 million. Actual revenues were \$0.2 million more than anticipated, and expenditures were \$0.3 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2019, that will be carried over into the 2019-20 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2018-19 the District had acquired no new capital assets. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was \$0.4 million.

Table A-4: Capital Assets at Year End, Net of Depreciation

| | Governmental Activities | | Variance Increase (Decrease) |
|----------------------|--------------------------------|---------------------|---|
| | 2019 | 2018* | |
| Land | \$ 76 | \$ 76 | \$ - |
| Improvement of sites | 2,585,806 | 2,752,481 | (166,675) |
| Buildings | 3,811,489 | 4,019,526 | (208,037) |
| Equipment | 92,121 | 121,990 | (29,869) |
| Total | \$ 6,489,492 | \$ 6,894,073 | \$ (404,581) |

* *As restated*

Long-Term Debt

At year-end the District had \$10.2 million in long-term debt – a decrease of 9.1% from last year – as shown in Table A-5. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements).

Table A-5: Outstanding Long-Term Debt Other Than Pensions at Year-End

| | Governmental Activities | | Variance Increase (Decrease) |
|-------------------------------|--------------------------------|----------------------|---|
| | 2019 | 2018* | |
| General obligation bonds | \$ 9,345,808 | \$ 9,848,803 | \$ (502,995) |
| Energy loans | 174,665 | 180,487 | (5,822) |
| Other postemployment benefits | 655,321 | 1,159,773 | (504,452) |
| Total | \$ 10,175,794 | \$ 11,189,063 | \$ (1,013,269) |

* *As restated*

FORESTVILLE UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Legislature passed the final budget package on June 13, 2019. The Governor signed the *2019-20 Budget Act* and 15 other budget-related bills on June 27, 2019.

Major Features of the 2019-20 Spending Plan

Makes \$5.9 Billion in Additional Unfunded Liability Payments

Teachers, administrators, and other certificated employees of school districts earn pension benefits from the California State Teachers' Retirement System (CalSTRS). Other school district employees, such as clerical staff, also earn pension benefits administered by California Public Employees' Retirement System (CalPERS). The state and school districts each have full responsibility for their respective CalPERS' unfunded liabilities associated with their own employees. In the case of CalSTRS, the state and school districts share responsibility for the system's total unfunded liability (about one-third is the responsibility of the state and two-thirds of the districts).

The spending plan allocates \$5.9 billion General Fund to pay down unfunded pension liabilities on behalf of both the state and school districts (some of which is counted toward the state's Proposition 2 debt payment requirements). In particular, the spending plan dedicates:

- ***\$3.6 Billion to Address State's Unfunded Liabilities.*** The spending plan uses \$2.5 billion in General Fund monies to pay down the state's CalPERS unfunded liability. The spending plan also devotes \$1.1 billion General Fund to reduce the state's share of the CalSTRS unfunded liability, as part of the state's Proposition 2 debt payment requirements.
- ***\$2.3 Billion to Address School Districts' Unfunded Liabilities.*** The spending plan also devotes \$1.6 billion General Fund to reduce the school districts' share of the CalSTRS unfunded liability and \$660 million General Fund to address the school districts' CalPERS unfunded liability.

K-14 Education

Provides a Few Notable Ongoing Proposition 98 Augmentations

Under the spending plan, Proposition 98 funding for 2019-20 increases \$2.9 billion (3.7 percent) from the revised 2018-19 level. The spending plan devotes the largest share of this increase—\$2 billion—to school districts to cover changes in student attendance and provide a 3.26 percent cost-of-living adjustment (COLA) for the Local Control Funding Formula (general purpose per-student funding). The budget also provides two augmentations related to special education: (1) \$493 million for school districts based on the number of three- and four-year old children identified with disabilities affecting their education and (2) \$153 million for special education agencies with average or below average per-pupil funding rates.

Pays a Portion of Districts' Pension Costs for the Next Two Years

The spending plan also provides additional monies to school districts outside of the Proposition 98 funding requirement by paying a portion of districts' pension costs for the next two years. School districts' pension contribution rates for both CalPERS and CalSTRS have been rising and are set to continue increasing for at least the next few years. For CalSTRS, the budget provides \$606 million for the state to pay a portion of districts' costs (reducing district contribution rates by about 1 percent of payroll in 2019-20 and 2020-21). Similarly, the budget provides \$244 million for the state to cover a portion of districts' CalPERS costs (reducing district rates by about 1 percent of payroll in 2019-20 and 2020-21). Although district pension rates will continue to rise, the increases will be slower than previously projected.

FORESTVILLE UNION SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

FACTORS BEARING ON THE DISTRICT'S FUTURE (continued)

All of these factors were considered in preparing the Forestville Union School District budget for the 2019-20 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact Diane Hughes, Forestville Union School District, 6321 Highway 116, Forestville, CA 95436, phone (707) 887-9767.

FORESTVILLE UNION SCHOOL DISTRICT*Statement of Net Position**June 30, 2019*

| | Total Governmental Activities |
|--|-------------------------------------|
| ASSETS | |
| Cash | \$ 3,291,269 |
| Investments | 4,750 |
| Accounts receivable | 279,140 |
| Capital assets: | |
| Non-depreciable assets | 76 |
| Depreciable assets | 13,600,269 |
| Less accumulated depreciation | <u>(7,110,853)</u> |
| Total assets | <u>10,064,651</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows related to pensions | 862,797 |
| Deferred outflows related to OPEB | 42,983 |
| Deferred amounts on refunding | 292,459 |
| Total deferred outflows of resources | <u>1,198,239</u> |
| LIABILITIES | |
| Accounts payable | 551,499 |
| Unearned revenue | 62 |
| Long-term liabilities other than pensions: | |
| Due or payable within one year | 561,005 |
| Due or payable after one year | 9,614,789 |
| Net pension liability | 3,510,598 |
| Total liabilities | <u>14,237,953</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows related to pensions | 884,617 |
| Deferred inflows related to OPEB | 502,287 |
| Total deferred inflows of resources | <u>1,386,904</u> |
| NET POSITION | |
| Net investment in capital assets | (2,066,772) |
| Restricted for: | |
| Capital projects | 34,790 |
| Debt service | 711,280 |
| Categorical programs | 219,836 |
| Unrestricted | <u>(3,261,101)</u> |
| Total net position | <u>\$ (4,361,967)</u> |

FORESTVILLE UNION SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2019

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|---|--------------|-------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | |
| Governmental Activities | | | | |
| Instructional Services: | | | | |
| Instruction | \$ 2,363,346 | \$ - | \$ 303,812 | \$ (2,059,534) |
| Instruction-Related Services: | | | | |
| Supervision of instruction | 3,348 | - | - | (3,348) |
| Instructional library, media and technology | 37,126 | - | - | (37,126) |
| School site administration | 239,933 | - | (178) | (240,111) |
| Pupil Support Services: | | | | |
| Home-to-school transportation | 168,508 | - | - | (168,508) |
| Food services | 143,893 | 22,229 | 56,109 | (65,555) |
| All other pupil services | 90,638 | - | 12,437 | (78,201) |
| General Administration Services: | | | | |
| Data processing services | 5,848 | - | - | (5,848) |
| Other general administration | 576,225 | - | (237) | (576,462) |
| Plant services | 666,199 | - | 685 | (665,514) |
| Ancillary services | 6,076 | - | 628 | (5,448) |
| Community services | 75,555 | - | - | (75,555) |
| Interest on long-term debt | 319,652 | - | - | (319,652) |
| Other outgo | 170,161 | - | 26,608 | (143,553) |
| Total Governmental Activities | \$ 4,866,508 | \$ 22,229 | \$ 399,864 | (4,444,415) |
| General Revenues: | | | | |
| Property taxes | | | | 3,882,080 |
| Federal and state aid not restricted to specific purp | | | | 901,673 |
| Interest and investment earnings | | | | 57,553 |
| Interagency revenues | | | | 25,399 |
| Miscellaneous | | | | 128,667 |
| Total general revenues | | | | 4,995,372 |
| Change in net position | | | | 550,957 |
| Net position - July 1, 2018, as originally stated | | | | (4,352,811) |
| Adjustments for restatement (Note 11) | | | | (560,113) |
| Net position - July 1, 2018, as restated | | | | (4,912,924) |
| Net position - June 30, 2019 | | | | \$ (4,361,967) |

FORESTVILLE UNION SCHOOL DISTRICT*Balance Sheet – Governmental Funds**June 30, 2019*

| | General Fund | Bond Interest and Redemption Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--------------------------------------|---------------------|---|------------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash | \$ 2,473,599 | \$ 711,280 | \$ 106,390 | \$ 3,291,269 |
| Investments | 4,750 | - | - | 4,750 |
| Accounts receivable | 264,505 | - | 14,635 | 279,140 |
| Due from other funds | 14,862 | - | - | 14,862 |
| Total Assets | <u>\$ 2,757,716</u> | <u>\$ 711,280</u> | <u>\$ 121,025</u> | <u>\$ 3,590,021</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 429,611 | \$ - | \$ 680 | \$ 430,291 |
| Due to other funds | - | - | 14,862 | 14,862 |
| Unearned revenue | - | - | 62 | 62 |
| Total Liabilities | <u>429,611</u> | <u>-</u> | <u>15,604</u> | <u>445,215</u> |
| Fund Balances | | | | |
| Nonspendable | 2,000 | - | - | 2,000 |
| Restricted | 219,836 | 711,280 | 34,790 | 965,906 |
| Committed | 390,948 | - | 70,631 | 461,579 |
| Assigned | 424,369 | - | - | 424,369 |
| Unassigned | 1,290,952 | - | - | 1,290,952 |
| Total Fund Balances | <u>2,328,105</u> | <u>711,280</u> | <u>105,421</u> | <u>3,144,806</u> |
| Total Liabilities and Fund Balances | <u>\$ 2,757,716</u> | <u>\$ 711,280</u> | <u>\$ 121,025</u> | <u>\$ 3,590,021</u> |

FORESTVILLE UNION SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2019

Total fund balances - governmental funds \$ 3,144,806

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 | 13,600,345 | |
| Accumulated depreciation | (7,110,853) | |
| Net: | | 6,489,492 |

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 unmatured interest owing at the end of the period was: (121,208)

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as a deferred outflow of resources. The remaining deferred amounts on refunding at the end of the period were: 292,459

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 payable | 9,345,808 | |
| Net OPEB obligation | 655,321 | |
| Energy loans payable | <u>174,665</u> | |
| Total | | (10,175,794) |

The net pension liability is not due and payable in the current reporting period, and therefore is not reported as a liability in the fund financial statements. (3,510,598)

In governmental funds, deferred outflows and inflows of resources relating to other postemployment benefits are not reported because they are applicable to future periods. In the statement of net position, deferred outflows relating to OPEB are reported.

| | | |
|--------------------------------|------------------|-----------|
| Deferred outflows of resources | 42,983 | |
| Deferred inflows of resources | <u>(502,287)</u> | |
| Total | | (459,304) |

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 | 862,797 | |
| Deferred inflows of resources | <u>(884,617)</u> | |
| Total | | <u>(21,820)</u> |

Total net position - governmental activities \$ (4,361,967)

FORESTVILLE UNION SCHOOL DISTRICT**Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2019**

| | General Fund | Bond Interest and Redemption Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--|---------------------|---|------------------------------------|--------------------------------|
| REVENUES | | | | |
| LCFF sources | \$ 3,889,670 | \$ - | \$ - | \$ 3,889,670 |
| Federal sources | 170,211 | - | 52,222 | 222,433 |
| Other state sources | 435,076 | 5,470 | 4,076 | 444,622 |
| Other local sources | 294,969 | 743,405 | 24,294 | 1,062,668 |
| Total Revenues | <u>4,789,926</u> | <u>748,875</u> | <u>80,592</u> | <u>5,619,393</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instructional Services: | | | | |
| Instruction | 2,371,708 | - | - | 2,371,708 |
| Instruction-Related Services: | | | | |
| Supervision of instruction | 16,563 | - | - | 16,563 |
| Instructional library, media and technology | 35,662 | - | - | 35,662 |
| School site administration | 239,477 | - | - | 239,477 |
| Pupil Support Services: | | | | |
| Home-to-school transportation | 168,508 | - | - | 168,508 |
| Food services | - | - | 140,642 | 140,642 |
| All other pupil services | 90,607 | - | - | 90,607 |
| Ancillary services | 6,113 | - | - | 6,113 |
| Community services | 71,969 | - | - | 71,969 |
| General Administration Services: | | | | |
| Data processing services | 5,848 | - | - | 5,848 |
| Other general administration | 563,678 | - | - | 563,678 |
| Plant services | 654,147 | - | - | 654,147 |
| Intergovernmental transfers | 162,552 | - | 7,609 | 170,161 |
| Debt service: | | | | |
| Principal | 5,822 | 426,012 | - | 431,834 |
| Interest | - | 386,763 | - | 386,763 |
| Total Expenditures | <u>4,392,654</u> | <u>812,775</u> | <u>148,251</u> | <u>5,353,680</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>397,272</u> | <u>(63,900)</u> | <u>(67,659)</u> | <u>265,713</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Interfund transfers in | - | - | 62,303 | 62,303 |
| Interfund transfers out | (62,303) | - | - | (62,303) |
| Total Other Financing Sources and Uses | <u>(62,303)</u> | <u>-</u> | <u>62,303</u> | <u>-</u> |
| Net Change in Fund Balances | 334,969 | (63,900) | (5,356) | 265,713 |
| Fund Balances, July 1, 2018 | <u>1,993,136</u> | <u>775,180</u> | <u>110,777</u> | <u>2,879,093</u> |
| Fund Balances, June 30, 2019 | <u>\$ 2,328,105</u> | <u>\$ 711,280</u> | <u>\$ 105,421</u> | <u>\$ 3,144,806</u> |

FORESTVILLE UNION SCHOOL DISTRICT

*Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2019*

| | |
|--|-------------------|
| Total net change in fund balances - governmental funds | \$ 265,713 |
| Amounts reported for governmental <i>activities</i> in the statement of activities are different because: | |
| Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is: | |
| Expenditures for capital outlay | |
| Depreciation expense | (404,581) |
| In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reduction of liabilities. Expenditures for repayment of the principal portion of long-term debt were: | |
| | 431,834 |
| Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In governmental funds these charges are recognized as an expenditure. However, in the statement of activities, these amounts are amortized over the life of the refunded debt. The difference between current year charges and the current year amortization is: | |
| | (15,393) |
| 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: | |
| | 5,521 |
| In governmental funds, accreted interest is not recorded as an expenditure from current resources. In the government-wide statement of activities, however, this is recorded as interest expense for the period. The difference between accreted interest accrued during the year and accreted interest paid is: | |
| | 14,110 |
| In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. Amortization of premium or discount for the period is: | |
| | 62,873 |
| In governmental funds, other postemployment benefits expenses are recognized when employer contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was: | |
| | (9,746) |
| In governmental 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, differences between accrual-basis pension costs and actual employer contributions was: | |
| | <u>200,626</u> |
| Change in net position of governmental activities | <u>\$ 550,957</u> |

FORESTVILLE UNION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Forestville Union School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California 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. The following is a summary of the more significant policies:

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, and agencies that are not legally separate from the District. For Forestville Union School District, this includes general operations, food service, and student related activities of the District.

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

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government (the District) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds and blended component units. A separate statement for each fund category - *governmental* - is presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

FORESTVILLE UNION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Major Governmental Funds

The District maintains the following major governmental funds:

General Fund: This is the chief operating fund for the District. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund. In addition, the General Fund also includes activity for the Forestville Academy Charter School.

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code* sections 15125-15262).

Non-Major Governmental Funds

The District maintains the following non-major governmental funds:

Special Revenue Funds: Special revenue funds are established to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Cafeteria Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code* sections 38090 and 38093).

Capital Projects Funds: Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund: This fund is used to primarily account separately for moneys received from fees levied on development projects as a condition of approval (*Education Code* sections 17620-17626 and *Government Code* Section 65995 et seq.).

Special Reserve Fund for Capital Outlay Projects: This fund exists primarily to provide for the accumulation of general fund moneys for capital outlay purposes (*Education Code* Section 42840). This fund may also be used to account for any other revenues specifically for capital projects that are not restricted to fund 25.

2. Measurement Focus, Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resource or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

FORESTVILLE UNION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

2. Measurement Focus, Basis of Accounting (continued)

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

3. Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on 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 that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

C. Budgetary Data

The budgetary process is prescribed by provisions of the *California Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

FORESTVILLE UNION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Data (continued)

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

D. 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 as of June 30.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

2. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| Description | Estimated Lives |
|----------------------------|-----------------|
| Land improvements | 25 years |
| Buildings and improvements | 15-50 years |
| Equipment | 10 years |

4. Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

FORESTVILLE UNION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

4. Unearned Revenue (continued)

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

5. Deferred Outflows/Inflows of Resources

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

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

6. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

7. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, the Plans recognize benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

8. Pensions

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

FORESTVILLE UNION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

9. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

10. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

FORESTVILLE UNION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

10. Net Position (continued)

- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

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.

F. Minimum 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 District has adopted a policy to achieve and maintain unrestricted fund balance in the General Fund of 5% of total General Fund expenditures, other uses and transfers out at the close of each fiscal year, greater than the recommended level promulgated by the State of California.

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

G. Property Tax Calendar

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

FORESTVILLE UNION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements

During the 2018-19 fiscal year, the following GASB Pronouncements became effective:

1. In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The District has implemented the provisions of this Statement as of June 30, 2019.

2. In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The District has implemented the provisions of this Statement as of June 30, 2019.

FORESTVILLE UNION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements

Other GASB pronouncements, which will be effective in future periods, are as follows:

1. In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

2. In June 2017, the GASB issued Statement No. 87, *Leases*. 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 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. 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. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Early implementation is encouraged.

3. In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

FORESTVILLE UNION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

3. (continued)

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

4. In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests-An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

5. In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

FORESTVILLE UNION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Future Accounting Pronouncements (continued)

5. (continued)

This Statement also addresses arrangements – often characterized as leases – that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities.

Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2019, are reported at fair value and consisted of the following:

| | <u>Governmental Activities/Funds</u> |
|---------------------------|--|
| Pooled Funds: | |
| Cash in County Treasury | \$ 3,287,969 |
| Total Pooled Funds | <u>3,287,969</u> |
| Deposits: | |
| Cash on hand and in banks | 1,300 |
| Cash in revolving fund | 2,000 |
| Total Deposits | <u>3,300</u> |
| Total Cash | <u>\$ 3,291,269</u> |
| Investments: | |
| Zapworld Stock | \$ 4,750 |
| Total Investments | <u>\$ 4,750</u> |

FORESTVILLE UNION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 2 – CASH AND INVESTMENTS (continued)

Pooled Funds

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2019, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2019, none of the District's bank balance was exposed to custodial credit risk because it was insured by the FDIC.

Investments - Interest Rate Risk

The District's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District's investment policy limits investment purchases to investments with a term not to exceed three years. Investments purchased with maturity terms greater than three years require approval by the Board of Trustees. Investments purchased with maturities greater than one year require written approval by the Superintendent prior to commitment.

Investments - Credit Risk

The District's investment policy limits investment choices to obligations of local, state and federal agencies, commercial paper, certificates of deposit, repurchase agreements, corporate notes, banker acceptances, and other securities allowed by State Government Code Section 53600. At June 30, 2019, all investments represented corporate stocks which were issued, registered and held by the District's agent in the District's name.

FORESTVILLE UNION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 2 – CASH AND INVESTMENTS (continued)

Investments - Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2019, the District had the following investments that represents more than five percent of the District's net investments.

| | |
|----------------|------|
| Zapworld Stock | 100% |
|----------------|------|

Fair Value Measurements

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 – Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that date if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized – Investments in the Sonoma County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

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

FORESTVILLE UNION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2019, consisted of the following:

| | General Fund | Non-Major Governmental Funds | Total |
|--------------------------|-------------------|------------------------------------|-------------------|
| Federal Government: | | | |
| Categorical aid programs | \$ 90,089 | \$ 13,547 | \$ 103,636 |
| State Government: | | | |
| Lottery | 28,228 | - | 28,228 |
| Categorical aid programs | 3,947 | 1,044 | 4,991 |
| Local: | | | |
| Other local | 142,241 | 44 | 142,285 |
| Total | <u>\$ 264,505</u> | <u>\$ 14,635</u> | <u>\$ 279,140</u> |

NOTE 4 – INTERFUND TRANSACTIONS

A. Balances Due To/From Other Funds

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

| | |
|--|------------------|
| General Fund due from Cafeteria Fund for year-end temporary loan | <u>\$ 14,862</u> |
|--|------------------|

The District reported \$640,841 due between resources within the General Fund. Because the funds are within the General Fund for financial reporting purposes, the intrafund balances have been eliminated from the financial statements.

B. Transfers To/From Other Funds

Transfers to/from other funds during the year ended June 30, 2019, consisted of the following:

| | |
|---|------------------|
| General Fund transfer to Cafeteria Fund for deficit operations and staffing support | <u>\$ 62,303</u> |
|---|------------------|

FORESTVILLE UNION SCHOOL DISTRICT*Notes to Financial Statements**June 30, 2019*

NOTE 5 – FUND BALANCES

At June 30, 2019, fund balances of the District’s governmental funds were classified as follows:

| | General Fund | Bond Interest and Redemption Fund | Non-Major Governmental Funds | Total |
|------------------------------------|---------------------|---|------------------------------------|---------------------|
| Nonspendable: | | | | |
| Revolving cash | \$ 2,000 | \$ - | \$ - | \$ 2,000 |
| Total Nonspendable | <u>2,000</u> | <u>-</u> | <u>-</u> | <u>2,000</u> |
| Restricted: | | | | |
| Categorical programs | 219,836 | - | - | 219,836 |
| Capital projects | - | - | 34,790 | 34,790 |
| Debt service | - | 711,280 | - | 711,280 |
| Total Restricted | <u>219,836</u> | <u>711,280</u> | <u>34,790</u> | <u>965,906</u> |
| Committed: | | | | |
| Tech end of life | 32,214 | - | - | 32,214 |
| Deferred maintenance program | 358,734 | - | - | 358,734 |
| Other commitments | - | - | 70,631 | 70,631 |
| Total Committed | <u>390,948</u> | <u>-</u> | <u>70,631</u> | <u>461,579</u> |
| Assigned: | | | | |
| Unspent one-time mandate money | 149,369 | - | - | 149,369 |
| Middle School | 275,000 | - | - | 275,000 |
| Total Assigned | <u>424,369</u> | <u>-</u> | <u>-</u> | <u>424,369</u> |
| Unassigned: | | | | |
| Reserve for economic uncertainties | 677,244 | - | - | 677,244 |
| Remaining unassigned balances | 613,708 | - | - | 613,708 |
| Total Unassigned | <u>1,290,952</u> | <u>-</u> | <u>-</u> | <u>1,290,952</u> |
| Total | <u>\$ 2,328,105</u> | <u>\$ 711,280</u> | <u>\$ 105,421</u> | <u>\$ 3,144,806</u> |

FORESTVILLE UNION SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2019

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2019, was as follows:

| | Balance, July 1, 2018 | Adjustments for Restatements | Balance, July 1, 2018 | Additions | Retirements | Balance, June 30, 2019 |
|---|--------------------------|---------------------------------|--------------------------|--------------|-------------|---------------------------|
| Capital assets not being depreciated: | | | | | | |
| Land | \$ 76 | \$ - | \$ 76 | \$ - | \$ - | \$ 76 |
| Total capital assets not being depreciated | 76 | - | 76 | - | - | 76 |
| Capital assets being depreciated: | | | | | | |
| Improvement of sites | 4,187,446 | - | 4,187,446 | - | - | 4,187,446 |
| Buildings | 9,027,052 | - | 9,027,052 | - | - | 9,027,052 |
| Equipment | 385,771 | - | 385,771 | - | - | 385,771 |
| Total capital assets being depreciated | 13,600,269 | - | 13,600,269 | - | - | 13,600,269 |
| Accumulated depreciation for: | | | | | | |
| Improvement of sites | (1,268,291) | (166,674) | (1,434,965) | (166,675) | - | (1,601,640) |
| Buildings | (4,791,049) | (216,477) | (5,007,526) | (208,037) | - | (5,215,563) |
| Equipment | (267,306) | 3,525 | (263,781) | (29,869) | - | (293,650) |
| Total accumulated depreciation | (6,326,646) | (379,626) | (6,706,272) | (404,581) | - | (7,110,853) |
| Total capital assets being depreciated, net | 7,273,623 | (379,626) | 6,893,997 | (404,581) | - | 6,489,416 |
| Governmental activity capital assets, net | \$ 7,273,699 | \$ (379,626) | \$ 6,894,073 | \$ (404,581) | \$ - | \$ 6,489,492 |

Depreciation expense is charged to the Instruction function in the Statement of Activities.

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS

Changes in long-term debt for the year ended June 30, 2019, were as follows:

| | Balance, July 1, 2018* | Additions | Deductions | Balance, June 30, 2019 | Amount Due Within One Year |
|------------------------------------|---------------------------|------------|--------------|---------------------------|-------------------------------|
| General Obligation Bonds: | | | | | |
| Principal Payments | \$ 8,034,002 | \$ - | \$ 426,012 | \$ 7,607,990 | \$ 392,531 |
| Accreted Interest | 978,319 | 69,878 | 83,988 | 964,209 | 92,469 |
| Issuance Premiums | 836,482 | - | 62,873 | 773,609 | 52,717 |
| Sub-total General Obligation Bonds | 9,848,803 | 69,878 | 572,873 | 9,345,808 | 537,717 |
| Energy Efficiency Loan* | 180,487 | - | 5,822 | 174,665 | 23,288 |
| Other Postemployment Benefits | 1,159,773 | 87,836 | 592,288 | 655,321 | - |
| Sub-Totals | \$ 11,189,063 | \$ 157,714 | \$ 1,170,983 | \$ 10,175,794 | \$ 561,005 |

* Restated beginning balance since loan was not reported in 2017-18.

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Energy lease payments are added to the District's energy bill and are made by the General Fund. Retirement incentives will be paid for by the fund for which the employee worked.

FORESTVILLE UNION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

A. General Obligation Bonds (continued)

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2019, were as follows:

| Fiscal Year | Principal | Interest | Total |
|-------------|--------------|--------------|---------------|
| 2019-2020 | \$ 392,531 | \$ 376,330 | \$ 768,861 |
| 2020-2021 | 340,710 | 303,209 | 643,919 |
| 2021-2022 | 376,091 | 291,097 | 667,188 |
| 2022-2023 | 392,839 | 283,504 | 676,343 |
| 2023-2024 | 427,099 | 273,963 | 701,062 |
| 2024-2029 | 1,548,923 | 1,929,014 | 3,477,937 |
| 2029-2034 | 1,227,737 | 1,281,501 | 2,509,238 |
| 2034-2039 | 1,050,047 | 1,393,765 | 2,443,812 |
| 2039-2043 | 1,852,013 | 337,938 | 2,189,951 |
| Total | \$ 7,607,990 | \$ 6,470,321 | \$ 14,078,311 |

B. Energy Efficiency Loan

On June 12, 2018, the District entered into an “On-Bill Financing Program” with the Pacific Gas and Electric Company (PG&E) under the auspices of the California Public Utilities Commission (CPUC). The Program provides qualified PG&E customers with a means to finance energy-efficient retrofit projects implemented under select PG&E energy-efficient Programs. The loans issued under the Program are interest-free, unsecured loans to fully or partially reimburse qualified PG&E customers for the costs they incur in connection with a qualified retrofit project. Under the program, the District will pay back the loan balance of \$180,488 with 93 monthly payments of \$1,940.73 per month. Future payments under the loan agreement will be as follows:

| Fiscal Year | Payment |
|-------------|------------|
| 2019-2020 | \$ 23,288 |
| 2020-2021 | 23,289 |
| 2021-2022 | 23,288 |
| 2022-2023 | 23,289 |
| 2023-2024 | 23,288 |
| 2024-2027 | 58,223 |
| Total | \$ 174,665 |

FORESTVILLE UNION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

C. Other Postemployment Benefits (OPEB) Liability

For the fiscal year ended June 30, 2019, the District reported total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

| Pension Plan | Net OPEB Liability | Deferred Outflows of Resources | Deferred Inflows of Resources | OPEB Expense |
|---------------|-----------------------|-----------------------------------|----------------------------------|-----------------|
| District Plan | \$ 640,977 | \$ 42,983 | \$ 502,287 | \$ 6,520 |
| MPP Program | 14,344 | - | - | (4,573) |
| Total | <u>\$ 655,321</u> | <u>\$ 42,983</u> | <u>\$ 502,287</u> | <u>\$ 1,947</u> |

The details of each plan are as follows:

District Plan

Plan description

The District’s single-employer defined benefit OPEB plan provides OPEB for eligible certificated, classified, and management employees of the District. The authority to establish and amend the benefit terms and financing requirements are governed by collective bargaining agreements with plan members. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits provided

The postretirement health plans and the District’s obligation vary by employee group as described below.

The Plan provides medical, dental, and vision insurance benefits to eligible retirees and their spouses.

The following table outlines the retiree benefits provided:

| | <u>Certificated</u> | <u>Classified</u> | <u>Management</u> |
|-------------------------|----------------------------------|---|----------------------------------|
| Benefit types provided | Medical, dental, and vision | Medical, dental, and vision | Medical, dental, and vision |
| Duration of Benefits | To age 65 | To age 65 | To age 65 |
| Required Service | Full-time equivalent of 10 years | 10 years and accrued 5 full service years of credit with PERS while employed with District* | Full-time equivalent of 10 years |
| Minimum Age | 55 | 55 | 55 |
| Dependent Coverage | Yes | Yes | Yes |
| District Contribution % | 50% | 50% | 50% |
| District Cap | See above | See above | See above |

*Must have worked for the District a minimum period of five (5) years immediately preceding the date of retirement.

FORESTVILLE UNION SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

C. Other Postemployment Benefits (OPEB) Liability (continued)

District Plan (continued)

Employees covered by benefit terms

At July 1, 2018, the following employees were covered by the benefit terms:

| | |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefit payments | 4 |
| Active employees | 37 |
| Total | <u>41</u> |

Total OPEB Liability

The District's total OPEB liability of \$640,977 for the Plan was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2018. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Actuarial assumptions and other inputs

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------------|---|
| Valuation Date | July 1, 2018 |
| Salary increases | 3.00% |
| Medical cost trend rates | 6.00% for 2018 decreasing 0.10 percent each year to an ultimate rate of 5.00 percent for 2028 and later years |
| Dental and vision cost trend rate | 4.00% – frozen in year of retirement |

Discount Rate

The discount rate of 3.62% based on a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality Rates

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

FORESTVILLE UNION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

C. Other Postemployment Benefits (OPEB) Liability (continued)

District Plan (continued)

Changes in the Total OPEB Liability

| | Total OPEB Liability |
|---|---------------------------------|
| Balance at July 1, 2017 | <u>\$ 1,159,773</u> |
| Changes for the year: | |
| Service cost | 52,528 |
| Interest | 20,964 |
| Differences between expected and actual experience | (540,555) |
| Changes of assumptions | (28,704) |
| Benefit payments | (23,029) |
| Net changes | <u>(518,796)</u> |
| Balance at June 30, 2018 | <u><u>\$ 640,977</u></u> |

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

| Discount Rate | OPEB Liability |
|-------------------------------|-------------------|
| 1% decrease (2.62%) | \$ 688,010 |
| Current discount rate (3.62%) | \$ 640,977 |
| 1% increase (4.62%) | \$ 597,683 |

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

| Healthcare Cost Trend Rate | OPEB Liability |
|--|-------------------|
| 1% decrease (5.00% decreasing to 4.00%) | \$ 616,165 |
| Current rate (6.00% decreasing to 5.00%) | \$ 640,977 |
| 1% increase (7.00% decreasing to 6.00%) | \$ 668,285 |

FORESTVILLE UNION SCHOOL DISTRICT
Notes to Financial Statements
 June 30, 2019

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

C. Other Postemployment Benefits (OPEB) Liability (continued)

District Plan (continued)

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$6,520. In addition, at June 30, 2019, the District reported deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| | <u> </u> | <u> </u> |
| Differences between expected and actual experience | \$ - | \$ 476,960 |
| Changes of assumptions | - | 25,327 |
| District contributions subsequent to the measurement date of the net OPEB liability | 42,983 | - |
| | <u>42,983</u> | <u>-</u> |
| Total | <u>\$ 42,983</u> | <u>\$ 502,287</u> |

The deferred inflows of resources related to the differences between expected and actual experience and changes in assumptions in the measurement of the total OPEB liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 8.5 years.

The amount reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ended June 30: | Deferred Inflows of Resources |
|---------------------|----------------------------------|
| | <u> </u> |
| 2020 | \$ (66,972) |
| 2021 | (66,972) |
| 2022 | (66,972) |
| 2023 | (66,972) |
| 2024 | (66,972) |
| Thereafter | <u>(167,427)</u> |
| Total | <u>\$ (502,287)</u> |

Medicare Premium Payment (MPP) Program

Plan Description

The MPP Program is a cost-sharing multiple-employer other postemployment benefit (OPEB) plan established pursuant to Chapter 1032, Statutes of 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefit Fund (THBF).

FORESTVILLE UNION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

C. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program (continued)

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Medicare Premium Payment Program. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/actuarial-financial-and-investor-information>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the DB Program who were retired or began receiving a disability allowance prior to July 1, 2012, and were not eligible for premium-free Medicare Part A. The MPP Program is closed to new entrants as members who retire on or after July 1, 2012, are not eligible for coverage under the MPP Program.

As of June 30, 2018, 5,984 retirees participated in the MPP Program. The number of retired members who will participate in the program in the future is unknown because eligibility cannot be predetermined.

The MPP Program is funded on a pay-as-you-go basis from a portion of monthly employer contributions. In accordance with California Education Code section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Total OPEB Liability

At June 30, 2019, the District reported a liability of \$14,344 for its proportionate share of the net OPEB liability for the MPP Program. The total OPEB liability for the MPP Program as of June 30, 2018, was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total OPEB liability to June 30, 2018. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportions of the net OPEB liability for the two most recent measurement periods were:

| | <u>Percentage Share of MPP Program</u> | | <u>Change Increase/ (Decrease)</u> |
|--------------------------------------|--|--|---|
| | <u>Fiscal Year Ending June 30, 2019</u> | <u>Fiscal Year Ending June 30, 2018</u> | |
| Measurement Date | <u>June 30, 2018</u> | <u>June 30, 2017</u> | |
| Proportion of the Net OPEB Liability | 0.003747% | 0.004496% | -0.000749% |

For the year ended June 30, 2019, the District reported OPEB expense of \$(4,573).

FORESTVILLE UNION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

C. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program (continued)

Actuarial assumptions and other inputs

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|---|
| Measurement Date | June 30, 2018 |
| Valuation Date | June 30, 2017 |
| Experience Study | July 1, 2010, through June 30, 2015 |
| Actuarial Cost Method | Entry age normal |
| Investment Rate of Return | 3.87% |
| Healthcare Cost Trend Rates | 3.70% for Medicare Part A, and 4.10% for Medicare Part B |

In addition, assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 459, or an average of 0.27 percent of the potentially eligible population (171,593).

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

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2018, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.87 percent. The MPP Program is funded on a pay-as-you-go basis, and under the pay-as-you-go method, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.87 percent, which is The Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2018, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate increased 0.29 percent from 3.58 percent as of June 30, 2017.

FORESTVILLE UNION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 7 – LONG-TERM DEBT OTHER THAN PENSIONS (continued)

C. Other Postemployment Benefits (OPEB) Liability (continued)

Medicare Premium Payment (MPP) Program (continued)

Sensitivity of the District’s proportionate share of the net OPEB liability to changes in the discount rate

The following presents the District’s proportionate share of the net OPEB liability, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

| | <u>Discount Rate</u> | <u>MPP OPEB Liability</u> |
|-------------------------------|----------------------|-------------------------------|
| 1% decrease (2.87%) | \$ | 15,865 |
| Current discount rate (3.87%) | \$ | 14,344 |
| 1% increase (4.87%) | \$ | 12,970 |

Sensitivity of the District’s proportionate share of the net OPEB liability to changes in the Medicare costs trend rates

The following presents the District’s proportionate share of the net OPEB liability, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percentage-point lower or one percentage-point higher than the current rates:

| | <u>Medicare Cost Trend Rates</u> | <u>MPP OPEB Liability</u> |
|--|----------------------------------|-------------------------------|
| 1% decrease (2.7% Part A and 3.1% Part B) | \$ | 13,080 |
| Current rate (3.7% Part A and 4.1% Part B) | \$ | 14,344 |
| 1% increase (4.7% Part A and 5.1% Part B) | \$ | 15,703 |

NOTE 8 – PENSION PLANS

Qualified employees are covered under multiple-employer defined benefit pension 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, 2019, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

| <u>Pension Plan</u> | <u>Net Pension Liability</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> | <u>Pension Expense</u> |
|---------------------|----------------------------------|---|--|------------------------|
| CalSTRS | \$ 2,190,177 | \$ 551,107 | \$ 657,855 | \$ 433,744 |
| CalPERS | 1,320,421 | 311,690 | 226,762 | 180,583 |
| Total | <u>\$ 3,510,598</u> | <u>\$ 862,797</u> | <u>\$ 884,617</u> | <u>\$ 614,327</u> |

FORESTVILLE UNION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS (continued)

A. California State Teachers' Retirement System (CalSTRS)

The details of each plan are as follows:

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/actuarial-financial-and-investor-information>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2019, are summarized as follows:

| | STRP Defined Benefit Program | |
|---|-------------------------------------|--------------------------------|
| | On or before December 31, 2012 | On or after January 1, 2013 |
| Hire Date | December 31, 2012 | January 1, 2013 |
| Benefit Formula | 2% at 60 | 2% at 62 |
| Benefit Vesting Schedule | 5 years of service | 5 years of service |
| Benefit Payments | Monthly for life | Monthly for life |
| Retirement Age | 60 | 62 |
| Monthly Benefits as a Percentage of Eligible Compensation | 2.0%-2.4% | 2.0%-2.4% |
| Required Member Contribution Rate | 10.25% | 10.205% |
| Required Employer Contribution Rate | 16.28% | 16.28% |
| Required State Contribution Rate | 9.828% | 9.828% |

FORESTVILLE UNION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS (continued)

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

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven year period. The contribution rates for each program for the year ended June 30, 2019, are presented above and the District's total contributions were \$204,066.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

| | | |
|---|----|-------------------------|
| District's proportionate share of net pension liability | \$ | 2,190,177 |
| State's proportionate share of the net pension liability associated with the District | | <u>1,253,979</u> |
| Total | \$ | <u><u>3,444,156</u></u> |

The net pension liability was measured 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. The District's proportions of the net pension liability for the two most recent measurement periods were:

| | <u>Percentage Share of Risk Pool</u> | | <u>Change Increase/ (Decrease)</u> |
|---|---|---|--|
| | <u>Fiscal Year Ending June 30, 2019</u> | <u>Fiscal Year Ending June 30, 2018</u> | |
| Measurement Date | <u>June 30, 2018</u> | <u>June 30, 2017</u> | |
| Proportion of the Net Pension Liability | 0.002383% | 0.002825% | -0.000442% |

FORESTVILLE UNION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS (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 (continued)

For the year ended June 30, 2019, the District recognized pension expense of \$433,744. In addition, the District recognized pension expense and revenue of \$42,760 for support provided by the State. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date | \$ 204,066 | \$ - |
| Net change in proportionate share of net pension liability | - | 541,706 |
| Difference between projected and actual earnings on pension plan investments | - | 84,336 |
| Changes of assumptions | 340,250 | - |
| Differences between expected and actual experience | 6,791 | 31,813 |
| Total | <u>\$ 551,107</u> | <u>\$ 657,855</u> |

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 7 years.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|------------------------|--|
| 2020 | \$ (1,733) |
| 2021 | (33,356) |
| 2022 | (90,907) |
| 2023 | (34,143) |
| 2024 | (11,480) |
| Thereafter | (139,195) |
| Total | <u>\$ (310,814)</u> |

FORESTVILLE UNION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions

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

| | |
|-----------------------------|------------------------------------|
| Valuation Date | June 30, 2017 |
| Experience Study | July 1, 2010 through June 30, 2015 |
| Actuarial Cost Method | Entry age normal |
| Investment Rate of Return | 7.1% |
| Consumer Price of Inflation | 2.75% |
| Wage Growth | 3.5% |

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

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 inputs to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study.

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

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

FORESTVILLE UNION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS (continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.1%. 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 (7.1%) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

| Discount Rate | Net Pension Liability |
|-------------------------------|--------------------------|
| 1% decrease (6.10%) | \$ 3,208,353 |
| Current discount rate (7.10%) | 2,190,177 |
| 1% increase (8.10%) | 1,346,010 |

On-Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS pursuant to Sections 22954 and 22955.1 of the Education Code and Public Resources Code Section 6217.5. In addition, for the 2018-19 fiscal year, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated supplemental contributions of \$2,246,000,000. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is \$199,879.

B. California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the Schools Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017 annual actuarial valuation report, Schools Pool Accounting Report. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/employers/actuarial-services/gasb>.

FORESTVILLE UNION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS (continued)

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

| | Schools Pool (CalPERS) | |
|---|---|--|
| | On or before December 31, 2012 | On or after January 1, 2013 |
| Hire Date | | |
| Benefit Formula | 2% at 55 | 2% at 62 |
| Benefit Vesting Schedule | 5 years of service | 5 years of service |
| Benefit Payments | Monthly for life | Monthly for life |
| Retirement Age | 55 | 62 |
| Monthly Benefits as a Percentage of Eligible Compensation | 1.1%-2.5% | 1.0%-2.5% |
| Required Employee Contribution Rate | 7.00% | 6.50% |
| Required Employer Contribution Rate | 18.062% | 18.062% |

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. 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 District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contribution rates are expressed as a percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the total District contributions were \$82,460.

FORESTVILLE UNION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS (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

As of June 30, 2019, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$1,320,421. The net pension liability was measured 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, actuarially determined. The District's proportions of the net pension liability for the two most recent measurement periods were:

| | <u>Percentage Share of Risk Pool</u> | | <u>Change Increase/ (Decrease)</u> |
|---|---|---|--|
| | <u>Fiscal Year Ending June 30, 2019</u> | <u>Fiscal Year Ending June 30, 2018</u> | |
| Measurement Date | <u>June 30, 2018</u> | <u>June 30, 2017</u> | |
| Proportion of the Net Pension Liability | 0.004952% | 0.005190% | -0.000238% |

For the year ended June 30, 2019, the District recognized pension expense of \$180,583. At June 30, 2019, 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> |
|---|---|--|
| Pension contributions subsequent to measurement date | \$ 82,460 | \$ - |
| Net change in proportionate share of net pension liability | - | 226,762 |
| Difference between projected and actual earnings on pension plan investments | 10,830 | - |
| Changes of assumptions | 131,838 | - |
| Differences between expected and actual experience | 86,562 | - |
| Total | <u>\$ 311,690</u> | <u>\$ 226,762</u> |

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4 years.

FORESTVILLE UNION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS (continued)

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

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows/(Inflows) of Resources |
|------------------------|--|
| 2020 | \$ (54,937) |
| 2021 | 90,247 |
| 2022 | (13,747) |
| 2023 | (19,095) |
| 2024 | - |
| Thereafter | - |
| Total | <u>\$ 2,468</u> |

Actuarial Methods and Assumptions

Total pension liability for the Schools Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|-----------------------------|---------------------------------|
| Valuation Date | June 30, 2017 |
| Experience Study | 1997-2015 |
| Actuarial Cost Method | Entry age normal |
| Discount Rate | 7.15% |
| Consumer Price of Inflation | 2.75% |
| Wage Growth | Varies by entry age and service |

Post-retirement mortality rates are based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

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

FORESTVILLE UNION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 8 – PENSION PLANS (continued)

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

Actuarial Methods and Assumptions (continued)

The target asset allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

| Asset Class | Assumed Asset Allocation | Real Return Years 1-10 | Real Return Years 11+ |
|------------------|--------------------------|------------------------|-----------------------|
| 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% | 0.00% | (0.92%) |

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

| Discount Rate | Net Pension Liability |
|-------------------------------|-----------------------|
| 1% decrease (6.15%) | \$ 1,922,469 |
| Current discount rate (7.15%) | 1,320,421 |
| 1% increase (8.15%) | 820,935 |

On-Behalf Payments

The State of California normally makes no contributions to CalPERS on behalf of the District. However, for the 2018-19 fiscal year, California Senate Bill No. 90 (SB 90) was signed into law on June 27, 2019, and appropriated contributions of \$904,000,000. Under accounting principles generally accepted in the United States of America, these amounts are reported as revenues and expenditures in the fund financial statements. The total amount recognized by the District for its proportionate share of the State's on-behalf contributions is \$44,750.

C. Social Security

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

D. Payables to the Pension Plans

At June 30, 2019, the District did not have any outstanding payables for outstanding contributions to the CalSTRS and CalPERS pension plans, respectively, required for the fiscal year ended June 30, 2019.

FORESTVILLE UNION SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 9 – JOINT VENTURES

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the fiscal year ending June 30, 2019, the District participated in joint powers agreements (JPAs) to manage these risks. There were no significant reductions in coverage during the year. Settled claims have not exceeded coverage in any of the past three years.

The various JPAs and the services they provide the District are as follows:

- The Redwood Empire Schools' Insurance Group (RESIG) for property and liability and workers' compensation coverage, and
- West County Transportation Agency for pupil transportation services.

The JPAs arrange for and provide property, liability, workers' compensation, and excess liability coverage for its members. The relationship between the District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes. Each joint venture is governed by a board consisting of representatives from various member Districts. Each board controls the operations of the JPA, including selection of management, independent of any influence by the member Districts beyond their representation of the board. Each member District pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA. The District's share of year-end assets, liabilities, or fund equity is not calculated by the JPAs. Separately issued financial statements can be requested from each JPA.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards, and Grants

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

B. Litigation

The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2019.

NOTE 11 – ADJUSTMENTS FOR RESTATEMENTS

The beginning net position on the Statement of Activities has been restated by (\$379,626) to recognize additional accumulated depreciation on capital assets as of June 30, 2018, and by (\$180,487) to recognize the energy loan balance at June 30, 2018. The sum of these restatements is a net effect of a reduction of \$560,113 of the beginning net position.

(This page intentionally left blank)

Required Supplementary Information

(This page intentionally left blank)

FORESTVILLE UNION SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2019

| | Budgeted Amounts | | Actual (Budgetary Basis) | Variance with Final Budget- Pos (Neg) |
|--|-------------------------|---------------------|-------------------------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| LCFF Source | \$ 3,745,904 | \$ 3,782,680 | \$ 3,889,670 | \$ 106,990 |
| Federal Source | 156,915 | 167,055 | 170,211 | 3,156 |
| Other State Source | 151,025 | 350,185 | 435,076 | 84,891 |
| Other Local Source | 204,093 | 250,247 | 294,969 | 44,722 |
| Total Revenues | 4,257,937 | 4,550,167 | 4,789,926 | 239,759 |
| Expenditures | | | | |
| Current: | | | | |
| Certificated Salaries | 1,271,907 | 1,291,821 | 1,274,346 | 17,475 |
| Classified Salaries | 663,978 | 688,608 | 690,681 | (2,073) |
| Employee Benefits | 824,533 | 889,134 | 955,618 | (66,484) |
| Books and Supplies | 209,478 | 466,745 | 345,754 | 120,991 |
| Services and Other Operating Expenditures | 901,232 | 1,182,754 | 963,703 | 219,051 |
| Other Outgo | 193,500 | 161,072 | 162,552 | (1,480) |
| Total Expenditures | 4,064,628 | 4,680,134 | 4,392,654 | 287,480 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 193,309 | (129,967) | 397,272 | 527,239 |
| Other Financing Sources and Uses | | | | |
| Interfund Transfers Out | (60,708) | (63,165) | (62,303) | 862 |
| Total Other Financing Sources and Uses | (60,708) | (63,165) | (62,303) | 862 |
| Net Change in Fund Balance | 132,601 | (193,132) | 334,969 | 528,101 |
| Fund Balances, July 1, 2018 | 1,785,755 | 1,993,136 | 1,993,136 | - |
| Fund Balances, June 30, 2019 | \$ 1,918,356 | \$ 1,800,004 | \$ 2,328,105 | \$ 528,101 |

FORESTVILLE UNION SCHOOL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2019

| | <i>Last Ten Fiscal Years*</i> | | | | |
|---|-------------------------------|---------------------|---------------------|---------------------|---------------------|
| | 2017-18 | 2016-17 | 2015-16 | 2014-15 | 2013-14 |
| CalSTRS | | | | | |
| District's proportion of the net pension liability | <u>0.0024%</u> | <u>0.0028%</u> | <u>0.0032%</u> | <u>0.0031%</u> | <u>0.0040%</u> |
| District's proportionate share of the net pension liability | <u>\$ 2,190,177</u> | <u>\$ 2,614,741</u> | <u>\$ 2,587,314</u> | <u>\$ 2,087,045</u> | <u>\$ 2,337,480</u> |
| State's proportionate share of the net pension liability associated with the District | <u>1,253,979</u> | <u>1,546,859</u> | <u>1,472,912</u> | <u>1,103,718</u> | <u>1,411,486</u> |
| Totals | <u>\$ 3,444,156</u> | <u>\$ 4,161,600</u> | <u>\$ 4,060,226</u> | <u>\$ 3,190,763</u> | <u>\$ 3,748,966</u> |
| District's covered-employee payroll | <u>\$ 2,164,560</u> | <u>\$ 989,611</u> | <u>\$ 1,002,671</u> | <u>\$ 1,106,969</u> | <u>\$ 1,050,277</u> |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | <u>101.18%</u> | <u>264.22%</u> | <u>258.04%</u> | <u>188.54%</u> | <u>222.56%</u> |
| Plan fiduciary net position as a percentage of the total pension liability | <u>71%</u> | <u>69%</u> | <u>70%</u> | <u>74%</u> | <u>77%</u> |
| CalPERS | | | | | |
| District's proportion of the net pension liability | <u>0.0050%</u> | <u>0.0052%</u> | <u>0.0052%</u> | <u>0.0052%</u> | <u>0.0054%</u> |
| District's proportionate share of the net pension liability | <u>\$ 1,320,421</u> | <u>\$ 1,238,990</u> | <u>\$ 1,027,003</u> | <u>\$ 766,485</u> | <u>\$ 613,032</u> |
| District's covered-employee payroll | <u>\$ 653,184</u> | <u>\$ 661,425</u> | <u>\$ 615,967</u> | <u>\$ 564,664</u> | <u>\$ 548,415</u> |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | <u>202.15%</u> | <u>187.32%</u> | <u>166.73%</u> | <u>135.74%</u> | <u>111.78%</u> |
| Plan fiduciary net position as a percentage of the total pension liability | <u>71%</u> | <u>72%</u> | <u>74%</u> | <u>79%</u> | <u>83%</u> |

* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

FORESTVILLE UNION SCHOOL DISTRICT
Schedule of Pension Contributions
For the Fiscal Year Ended June 30, 2019

| | <i>Last Ten Fiscal Years*</i> | | | | |
|--|-------------------------------|-------------------|---------------------|---------------------|---------------------|
| | <u>2018-19</u> | <u>2017-18</u> | <u>2016-17</u> | <u>2015-16</u> | <u>2014-15</u> |
| CalSTRS | | | | | |
| Contractually required contribution | \$ 204,066 | \$ 188,357 | \$ 169,044 | \$ 126,327 | \$ 136,536 |
| Contributions in relation to the contractually required contribution | <u>204,066</u> | <u>188,026</u> | <u>170,454</u> | <u>143,906</u> | <u>136,536</u> |
| Contribution deficiency (excess): | <u>\$ -</u> | <u>\$ 331</u> | <u>\$ (1,410)</u> | <u>\$ (17,579)</u> | <u>\$ -</u> |
| District's covered-employee payroll | <u>\$ 1,253,474</u> | <u>\$ 989,611</u> | <u>\$ 1,002,671</u> | <u>\$ 1,106,969</u> | <u>\$ 1,050,277</u> |
| Contributions as a percentage of covered-employee payroll | <u>16.28%</u> | <u>19.00%</u> | <u>17.00%</u> | <u>13.00%</u> | <u>13.00%</u> |
| CalPERS | | | | | |
| Contractually required contribution | \$ 82,460 | \$ 91,920 | \$ 74,428 | \$ 67,276 | \$ 64,713 |
| Contributions in relation to the contractually required contribution | <u>82,460</u> | <u>91,872</u> | <u>74,532</u> | <u>67,195</u> | <u>64,713</u> |
| Contribution deficiency (excess): | <u>\$ -</u> | <u>\$ 48</u> | <u>\$ (104)</u> | <u>\$ 81</u> | <u>\$ -</u> |
| District's covered-employee payroll | <u>\$ 456,538</u> | <u>\$ 661,425</u> | <u>\$ 615,967</u> | <u>\$ 564,664</u> | <u>\$ 548,415</u> |
| Contributions as a percentage of covered-employee payroll | <u>18.062%</u> | <u>13.890%</u> | <u>12.100%</u> | <u>11.900%</u> | <u>11.800%</u> |

* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

FORESTVILLE UNION SCHOOL DISTRICT*Schedule of Changes in the District's Total OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2019*

Last 10 Fiscal Years*

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Total OPEB liability | | |
| Service cost | \$ 52,528 | \$ 116,877 |
| Interest | 20,964 | 3,506 |
| Differences between expected and actual experience | (540,555) | - |
| Changes of assumptions or other inputs | (28,704) | - |
| Benefit payments | <u>(23,029)</u> | <u>(11,911)</u> |
| Net change in total OPEB liability | (518,796) | 108,472 |
| Total OPEB liability - beginning | 1,159,773 | 1,051,301 |
| Total OPEB liability - ending | <u>\$ 640,977</u> | <u>\$ 1,159,773</u> |
| | | |
| Covered-employee payroll | <u>\$ 2,037,120</u> | <u>\$ 1,977,786</u> |
| | | |
| Total OPEB liability as a percentage of covered-employee payroll | <u>31.46%</u> | <u>58.64%</u> |

** This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

FORESTVILLE UNION SCHOOL DISTRICT*Schedule of the District's Proportionate Share of the Net OPEB Liability-MPP Program
For the Fiscal Year Ended June 30, 2019*

| | <u>2018</u> | <u>2017</u> |
|---|-------------|-------------|
| District's proportion of net OPEB liability | 0.0037% | 0.0045% |
| District's proportionate share of net OPEB liability | \$ 14,344 | \$ 18,917 |
| Covered-employee payroll | N/A | N/A |
| District's net OPEB liability as a percentage of covered-employee payroll | N/A | N/A |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.40% | 0.01% |

Notes to Schedule:

As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

FORESTVILLE UNION SCHOOL DISTRICT

Notes to the Required Supplementary Information For the Fiscal Year Ended June 30, 2019

NOTE 1 – PURPOSE OF SCHEDULES

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 and provisions of the California Education Code. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoptions with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Change in benefit terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

Change of assumptions - In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Change in benefit terms – There were no changes in benefit terms since the previous valuation.

Change of assumptions – Liability changes resulting from changes in economic and demographic assumptions are also deferred based on the average working life. The discount rate was changed to 3.62% from 3.00% in the prior valuation.

FORESTVILLE UNION SCHOOL DISTRICT

*Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2019*

NOTE 1 – PURPOSE OF SCHEDULES (continued)

Schedule of the District’s Proportionate Share of the Net OPEB Liability – MPP Program

This schedule presents information on the District’s proportionate share of the net OPEB liability – MPP Program and the plans’ fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

Change in benefit terms – There were no changes in benefit terms since the previous valuation.

Change of assumptions – The plan rate of investment return assumption was changed from 3.58 percent to 3.87 percent since the previous valuation.

(This page intentionally left blank)

Supplementary Information

(This page intentionally left blank)

FORESTVILLE UNION SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2019

The Forestville Union School District was established in 1899 and serves students of the community of Forestville, located in Sonoma County. There were no changes in the boundaries of the District during the current year. The District currently operates a traditional school site serving transitional kindergarten, kindergarten and grade one. The District also operates a charter school that served grades 2-6 during the year, but has since expanded to also serve grades 7-8.

| BOARD OF TRUSTEES | | |
|--------------------------|---------------|---------------------|
| Member | Office | Term Expires |
| Max Broome | President | December, 2022 |
| Josh Nultemeier | Clerk | December, 2020 |
| Jean Bullard | Trustee | December, 2020 |
| Linda Strauss | Trustee | December, 2022 |
| Chris Uebel | Trustee | December, 2022 |

DISTRICT ADMINISTRATORS

Phyllis Parisi,¹
Superintendent

Diane Hughes,
Chief Business Officer

¹ Retired effective June 30, 2019. The current Superintendent is Renee Semik.

FORESTVILLE UNION SCHOOL DISTRICT

*Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2019*

| FORESTVILLE ELEMENTARY SCHOOL | | |
|--|---------------------------------|-------------------------------|
| | Second Period Report | Annual Report |
| | Certificate No. (607E5DF3) | Certificate No. (9349E912) |
| Regular & Extended Year ADA: | | |
| Grades TK-3 | 44.64 | 44.86 |
| Special Education - Nonpublic, Nonsectarian Schools | | |
| Grades TK-3 | 0.98 | 0.98 |
| Total District ADA | 45.62 | 45.84 |

| FORESTVILLE ACADEMY CHARTER SCHOOL | | |
|---|---------------------------------|-------------------------------|
| | Second Period Report | Annual Report |
| | Certificate No. (DBB90688) | Certificate No. (C9C09F90) |
| Regular ADA: | | |
| Grades TK-3 | 63.39 | 63.51 |
| Grades 4-6 | 105.10 | 104.77 |
| Total Charter ADA | 168.49 | 168.28 |
| Total Classroom Based ADA | 168.49 | 168.19 |

FORESTVILLE UNION SCHOOL DISTRICT*Schedule of Instructional Time**For the Fiscal Year Ended June 30, 2019*

| FORESTVILLE ELEMENTARY SCHOOL | | | | |
|--------------------------------------|------------------|------------------------|-------------------------------------|-----------|
| Grade Level | Required Minutes | 2018-19 Actual Minutes | Number of Days Traditional Calendar | Status |
| Kindergarten | 36,000 | 56,670 | 176 | Complied* |
| Grade 1 | 50,400 | 52,470 | 176 | Complied* |

| FORESTVILLE ACADEMY CHARTER SCHOOL | | | | |
|---|------------------|------------------------|-------------------------------------|----------|
| Grade Level | Required Minutes | 2018-19 Actual Minutes | Number of Days Traditional Calendar | Status |
| Grade 2 | 50,400 | 52,470 | 176 | Complied |
| Grade 3 | 50,400 | 52,470 | 176 | Complied |
| Grade 4 | 54,000 | 54,030 | 176 | Complied |
| Grade 5 | 54,000 | 54,030 | 176 | Complied |
| Grade 6 | 54,000 | 54,030 | 176 | Complied |

*The California Department of Education has approved a request for 4 emergency days on November 9, and 13, 2018 and February 27-28, 2019, for both the District and Charter. These closure days may be used to meet the instructional time requirements pursuant to California Education Code sections 46200, 46201, 46207, and/or 46208.

FORESTVILLE UNION SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2019

| General Fund | (Budget) 2020 ² | 2019 | 2018 | 2017 |
|--|-------------------------------|---------------|---------------|---------------|
| Revenues and other financing sources | \$ 4,517,734 | \$ 4,789,926 | \$ 4,672,109 | \$ 4,874,744 |
| Expenditures | 4,677,020 | 4,392,654 | 4,135,083 | 4,807,321 |
| Other uses and transfers out | 65,328 | 62,303 | 57,613 | 50,469 |
| Total outgo | 4,742,348 | 4,454,957 | 4,192,696 | 4,857,790 |
| Change in fund balance (deficit) | (224,614) | 334,969 | 479,413 | 16,954 |
| Ending fund balance | \$ 2,103,491 | \$ 2,328,105 | \$ 1,993,136 | \$ 1,513,723 |
| Available reserves ¹ | \$ 597,913 | \$ 1,290,952 | \$ 1,055,553 | \$ 734,952 |
| Available reserves as a percentage of total outgo | 12.6% | 29.0% | 25.2% | 15.1% |
| Total long-term debt | \$ 13,249,323 | \$ 13,686,392 | \$ 15,042,795 | \$ 14,263,735 |
| Average daily attendance at P-2 ³ | 302 | 214 | 256 | 320 |

The General Fund balance has increased by \$814,382 over the past two years. The fiscal year 2019-20 adopted budget projects a decrease of \$224,614. For a district of this size, the state recommends available reserves of at least the greater of \$67,000 or 4% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has not incurred an operating deficit in the past three years, but anticipates an operating deficit during the 2019-20 fiscal year. Long-term debt has decreased by \$577,343 over the past two years.

Average daily attendance has decreased by 106 over the past two years; however, the District anticipates an increase of 88 ADA in 2019-20 with the expansion of grades 7-8 at Forestville Academy Charter School.

¹ Available reserves consist of all unassigned fund balances in the General Fund.

² As of September 2019.

³ Includes Forestville Elementary School and Forestville Academy Charter School.

FORESTVILLE UNION SCHOOL DISTRICT

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
June 30, 2019*

| | <u>General Fund</u> |
|---|----------------------------|
| June 30, 2019, annual financial and budget report (SACS) fund balances | \$ 2,268,105 |
| Adjustments and reclassifications: | |
| Increasing (decreasing) the fund balance: | |
| Accounts payable overstated | <u>60,000</u> |
| Net adjustments and reclassifications | <u>60,000</u> |
| June 30, 2019, audited financial statement fund balances | <u><u>\$ 2,328,105</u></u> |

FORESTVILLE UNION SCHOOL DISTRICT
Schedule of Charter Schools
For the Fiscal Year Ended June 30, 2019

| <u>Charter School</u> | <u>Inclusion in Financial Statements</u> |
|--------------------------------|--|
| Forestville Academy (No. 0842) | Included |

FORESTVILLE UNION SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2019

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) 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.

Schedule of Instructional Time

The District has participated in the Incentives for Longer Instructional Day and Longer Instructional Year. The District has met its LCFF target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with Article 8 (commencing with Section 46200) of Chapter 2 Part 26 of the Education Code.

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual financial report to the audited financial statements.

Schedule of Charter Schools

This schedule lists all charter schools chartered by the District, and displays information for each charter school and whether or not the charter school is included in the District audit.

(This page intentionally left blank)

Other Independent Auditors' Reports

(This page intentionally left blank)



INDEPENDENT AUDITORS' 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
Forestville Union School District
Forestville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Forestville Union School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Forestville Union School District's basic financial statements, and have issued our report thereon dated December 5, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Forestville Union School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Forestville Union School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Forestville Union 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and recommendations as Finding 2019-001 that we consider to be a significant deficiency.

Compliance and Other Matters

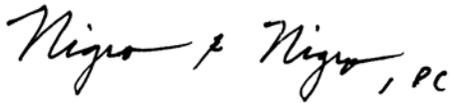
As part of obtaining reasonable assurance about whether Forestville Union School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a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

Forestville Union School District's Response to Finding

Forestville Union School District's response to the finding identified in our audit is described in the accompanying schedule of findings and recommendations. Forestville Union School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Nigro & Nigro, PC". The signature is written in a cursive, flowing style.

Murrieta, California
December 5, 2019



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Forestville Union School District
Forestville, California

Report on State Compliance

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

Management's Responsibility

Management is responsible for compliance with state laws, regulations, and the terms and conditions of its State programs.

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each state program. However, our audit does not provide a legal determination of Forestville Union School District's compliance.

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

Table with 2 columns: Description, Procedures Performed. Rows include Local Education Agencies Other Than Charter Schools: Attendance (Yes), Teacher Certification and Misassignments (Yes), Kindergarten Continuance (Yes), Independent Study (Not Applicable), Continuation Education (Not Applicable), Instructional Time (Yes), Instructional Materials (Yes), Ratio of Administrative Employees to Teachers (Yes).

| Description | Procedures Performed |
|---|----------------------|
| 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 | Not Applicable |
| Apprenticeship: Related and Supplemental Instruction | Not Applicable |
| Comprehensive School Safety Plan | Yes |
| District of Choice | Yes |
| School Districts, County Offices of Education, and Charter Schools: | |
| California Clean Energy Jobs Act | No (see below) |
| After/Before School Education and Safety Program | Not Applicable |
| Proper Expenditure of Education Protection Account Funds | Yes |
| Unduplicated Local Control Funding Formula Pupil Counts | Yes |
| Local Control and Accountability Plan | Yes |
| Independent Study - Course Based | Not Applicable |
| Charter Schools: | |
| Attendance | Yes |
| Mode of Instruction | Yes |
| Nonclassroom-Based Instruction/Independent Study | Not Applicable |
| Determination of Funding for Nonclassroom-Based Instruction | Not Applicable |
| Annual Instructional Minutes – Classroom Based | Yes |
| Charter School Facility Grant Program | Not Applicable |

We did not perform testing for California Clean Energy Jobs Act because there were no expenditures and no projects completed during the period.

Unmodified Opinion on Compliance with State Programs

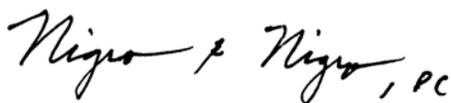
In our opinion, Forestville Union School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2019.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance with the compliance requirements referred to previously, which is required to be reported in accordance with the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, and which is described in the accompanying schedule of findings and recommendations as Finding 2019-002. Our opinion on each state program is not modified with respect to this matter.

District's Response to Finding

Forestville Union School District's response to the compliance finding identified in our audit is described in the accompanying schedule of findings and recommendations. Forestville Union School District's response was not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the response.



Murrieta, California
December 5, 2019

Findings and Recommendations

(This page intentionally left blank)

FORESTVILLE UNION SCHOOL DISTRICT
Schedule of Audit Findings and Recommendations
For the Fiscal Year Ended June 30, 2019

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

| | |
|---|-------------------|
| Type of auditors' report issued | <u>Unmodified</u> |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | <u>No</u> |
| Significant deficiency(s) identified not considered to be material weaknesses? | <u>Yes</u> |
| Noncompliance material to financial statements noted? | <u>No</u> |

Federal Awards

The District expended less than \$750,000 in federal awards during the year; therefore, a Single Audit pursuant to the Uniform Guidance was not performed.

State Awards

| | |
|--|-------------------|
| Type of auditors' report issued on compliance for state programs: | <u>Unmodified</u> |
|--|-------------------|

FORESTVILLE UNION SCHOOL DISTRICT
Schedule of Audit Findings and Recommendations
For the Fiscal Year Ended June 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

| Five Digit Code | AB 3627 Finding Types |
|-----------------|--|
| 10000 | Attendance |
| 20000 | Inventory of Equipment |
| 30000 | Internal Control |
| 40000 | State Compliance |
| 42000 | Charter School Facilities Programs |
| 43000 | Apprenticeship: Related and Supplemental Instruction |
| 50000 | Federal Compliance |
| 60000 | Miscellaneous |
| 61000 | Classroom Teacher Salaries |
| 62000 | Local Control Accountability Plan |
| 70000 | Instructional Materials |
| 71000 | Teacher Misassignments |
| 72000 | School Accountability Report Card |

Finding 2019-001: Child Nutrition Program Controls (30000)

Criteria: The number of students served free, reduced, and paid meals on reports compiled at the site should match the records of the school nutrition program in order to avoid over- or under- reporting meals served. Any amounts over- or under- reported are to be reported to the California Department of Education through an adjusted claim.

Condition: Our testing of the September 2018 SNP Claim for Reimbursement noted meals served by eligibility category were improperly reported, but total meals reported were accurate.

| Breakfast | Originally Reported | Audited | Difference |
|------------------|---------------------|------------|------------|
| Free | 513 | 513 | - |
| Reduced | 120 | 126 | (6) |
| Paid | 133 | 127 | 6 |
| Total | 766 | 766 | - |

| Lunch | Originally Reported | Audited | Difference |
|--------------|---------------------|--------------|------------|
| Free | 955 | 957 | (2) |
| Reduced | 194 | 209 | (15) |
| Paid | 229 | 212 | 17 |
| Total | 1,378 | 1,378 | - |

FORESTVILLE UNION SCHOOL DISTRICT
Schedule of Audit Findings and Recommendations
For the Fiscal Year Ended June 30, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS (continued)

Finding 2019-001: Child Nutrition Program Controls (30000) (continued)

Cause: The District inadvertently entered wrong total meals served by eligibility category on the SNP Claim for Reimbursement.

Effect: The District received \$50 less in State funding as a result of the error.

Recommendation: The District should develop and implement a review process to ensure information reported on their SNP Claim for Reimbursements is properly stated.

Views of Responsible Officials: This was an isolated incident. The District will implement a procedure that reviews the monthly process to ensure information reported on the SNP Claim for Reimbursement is properly stated.

FORESTVILLE UNION SCHOOL DISTRICT
Schedule of Audit Findings and Recommendations
For the Fiscal Year Ended June 30, 2019

SECTION III - FEDERAL AWARD FINDINGS AND RECOMMENDATIONS

This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

The District expended less than \$750,000 in Federal awards in 2018-19, therefore, a Single Audit pursuant to Uniform Guidance was not performed.

FORESTVILLE UNION SCHOOL DISTRICT
Schedule of Audit Findings and Recommendations
For the Fiscal Year Ended June 30, 2019

SECTION IV - STATE AWARD FINDINGS AND RECOMMENDATIONS

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

Finding 2019-002: Attendance Reporting (10000)

Criteria: Education Code Section 46300 allows average daily attendance generated by first year transitional kindergarten students to be reported on the annual attendance report.

Condition: The District accurately reported 2.47 units of average daily attendance (ADA) generated by first year transitional kindergarten students on the annual attendance report in line A-1; however, the District inadvertently reported 2.71 units of ADA for informational purposes on line B-5 of the annual attendance report.

Cause: The District inadvertently entered the wrong total of average daily attendance generated by first year transitional kindergarten students on line B-5 of the annual attendance report.

Effect: There is no questioned cost. Inaccurate reporting occurred only on an informational section of the annual attendance report.

Recommendation: The District should develop and implement a review process to ensure information reported on the annual attendance is properly stated, including all informational line items.

Views of Responsible Officials: The District will implement the procedure of having an additional employee review the attendance reports and backup for accuracy.

FORESTVILLE UNION SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2019

| Original Finding No. | Finding | Code | Recommendation | Current Status |
|--|---|-------------|--|---|
| <i>Finding 2018-001: Overstated P-2 Report</i> | <p>Amounts reported to the California Department of Education for the second period report of attendance are supported by written contemporaneous documentation that is accurate and reported in accordance with Education Code Section 41601.</p> <p>The District over-reported the average daily attendance for P-2. The District inadvertently posted the wrong line from the LEA summary to the P-2 reporting software. The Annual report of attendance was reported correctly.</p> | 10000 | We recommend the District implement procedures to ensure report preparation and submittal be reviewed by an additional employee prior to being submitted. The District has filed a revised P-2 report of attendance. | Implemented; however, see Finding 2019-002. |



To the Board of Trustees
Forestville Union School District
Forestville, California

In planning and performing our audit of the basic financial statements of Forestville Union School District for the year ending June 30, 2019, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 5, 2019, on the financial statements of Forestville Union School District.

WEEKLY TEACHER CERTIFICATIONS

Observation: During our testing of controls and procedures over attendance, we noted five instances in which teachers did not certify their weekly attendance reports. Such review and certification is crucial to ensure that teachers are reviewing attendance entries for errors and agreeing that the attendance they have entered is properly stated. There was no misstated ADA found as a result of this deficiency.

Recommendation: When teachers are taking online attendance, the rosters should be printed out and signed by the teacher on a weekly basis to indicate their review and agreement of the attendance reported. We recommend that the rosters be signed and dated on a weekly basis as required by CDE to create a valid contemporaneous record. Alternatively, the District may seek approval for digital signatures, but a digital signature must first be approved by CDE.

CASH RECEIPTS FOR CHILD NUTRITION

Observation: The District collects money for its Child Nutrition program at the school sites from reduced price and paid meals and a la carte sales. During the inquiry and testing of cash receipts controls for the child nutrition program, we discovered a lack of supporting documentation for monies collected by the department.

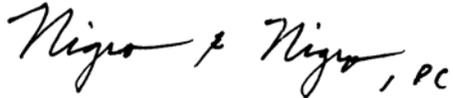
Recommendation: The Nutrition Services department should maintain adequate supporting documentation to support monies collected. This will ensure that the deposits are intact and deposited in a timely manner.

CHILD NUTRITION ACCOUNT

Observation: During our analytical procedures over the Child Nutrition Fund, we noted that there is substantial reliance on the General Fund to maintain fiscal solvency. Per inquiry it was noted that this contribution will be required for the on-going years to keep the fund from being in a deficit.

Recommendation: We recommend that the department and the District office work in conjunction in developing a budget which will make strides towards ensuring that Child Nutrition Fund is self-sustaining.

We will review the status of the current year comments during our next audit engagement.

Handwritten signature in cursive script that reads "Nigro & Nigro, PC".

Murrieta, California
December 5, 2019