

GUSTINE UNIFIED SCHOOL DISTRICT

**AUDIT REPORT
JUNE 30, 2021**



**GUSTINE UNIFIED SCHOOL DISTRICT
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JUNE 30, 2021**

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Governing Board
Gustine Unified School District
Gustine, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gustine Unified School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Gustine Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 Gustine Unified School District, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note 15 to the basic financial statements, the Gustine Unified School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which established accounting and financial reporting standards for the identification and reporting of fiduciary activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gustine Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of Federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents is the responsibility of management and was derived from and 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2022 on our consideration of Gustine Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Gustine Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gustine Unified School District's internal control over financial reporting and compliance.

Christy White, Inc.

San Diego, California
January 31, 2022

GUSTINE UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

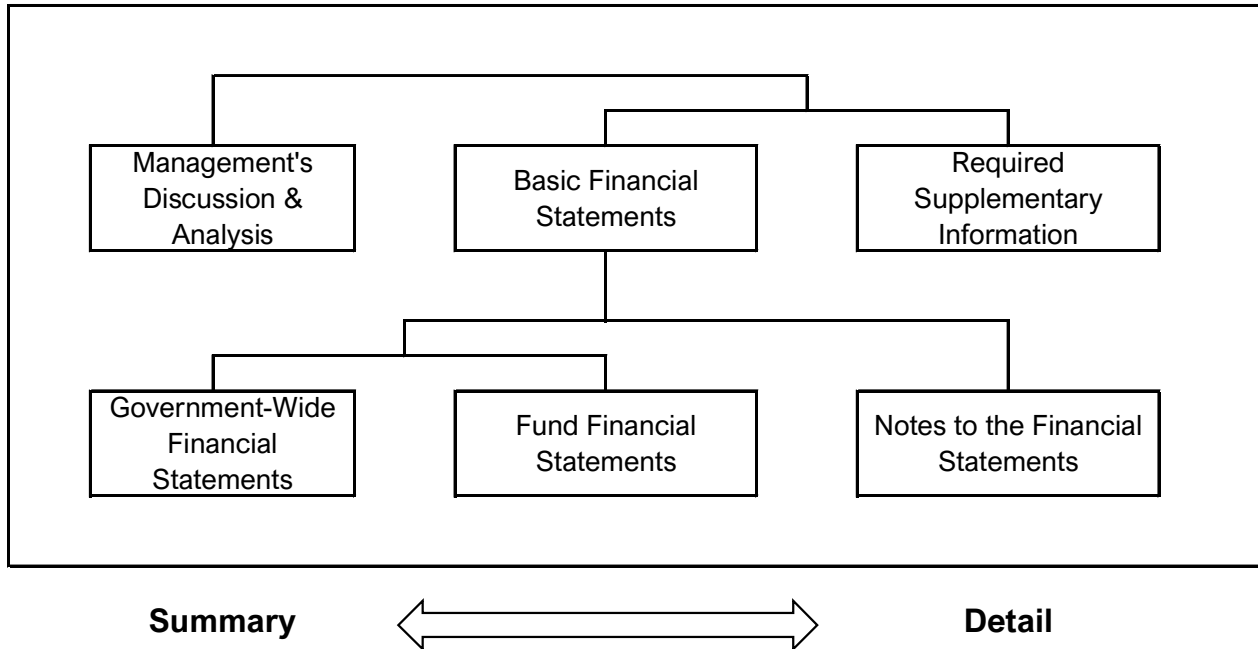
Our discussion and analysis of Gustine Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2021. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position was \$748,992 at June 30, 2021. This was an increase of \$2,560,994 from the prior year, after restatement.
- Overall revenues were \$29,901,847 which exceeded expenses of \$27,340,853.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financial Section



**GUSTINE UNIFIED SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

OVERVIEW OF FINANCIAL STATEMENTS (continued)

Components of the Financial Section (continued)

This annual report consists of three parts – Management’s Discussion and Analysis (this section), the basic financial statements, and required supplementary information. The three sections together provide a comprehensive overview of the District. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives:

- ▶ **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity’s overall financial position.

- ▶ **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - ▶ **Governmental Funds** 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.

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

Government-Wide Statements

The government-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 government’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 government-wide statements report the District’s net position and how it has changed. Net position is one way to measure the District’s financial health. Over time, increases or decreases in the District’s net position are an indicator of whether its financial health is improving or deteriorating, respectively.

The government-wide financial statements of the District include governmental activities. All of the District’s basic services are included here, such as regular education, food service, maintenance and general administration. Local control formula funding and federal and state grants finance most of these activities.

**GUSTINE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was \$748,992 at June 30, 2021, as reflected in the table below. Of this amount, \$(11,804,331) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2021	2020	Net Change
ASSETS			
Current and other assets	\$ 16,842,098	\$ 11,697,540	\$ 5,144,558
Capital assets	27,912,966	28,077,301	(164,335)
Total Assets	44,755,064	39,774,841	4,980,223
DEFERRED OUTFLOWS OF RESOURCES	6,391,701	6,421,434	(29,733)
LIABILITIES			
Current liabilities	3,780,642	3,325,401	455,241
Long-term liabilities	45,081,621	43,387,905	1,693,716
Total Liabilities	48,862,263	46,713,306	2,148,957
DEFERRED INFLOWS OF RESOURCES	1,535,510	1,909,746	(374,236)
NET POSITION			
Net investment in capital assets	9,608,466	8,630,947	977,519
Restricted	2,944,857	1,808,830	1,136,027
Unrestricted	(11,804,331)	(12,866,554)	1,062,223
Total Net Position	\$ 748,992	\$ (2,426,777)	\$ 3,175,769

**GUSTINE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. The table below takes the information from the Statement and rearranges it slightly, so you can see our total revenues and expenses for the year.

	Governmental Activities		
	2021	2020	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 91,612	\$ 81,572	\$ 10,040
Operating grants and contributions	7,170,158	3,323,197	3,846,961
Capital grants and contributions	1,229,997	-	1,229,997
General revenues			
Property taxes	4,676,283	4,614,322	61,961
Unrestricted federal and state aid	16,441,689	16,559,760	(118,071)
Other	292,108	781,192	(489,084)
Total Revenues	29,901,847	25,360,043	4,541,804
EXPENSES			
Instruction	13,500,347	13,159,113	341,234
Instruction-related services	2,378,714	2,164,323	214,391
Pupil services	3,545,732	4,092,834	(547,102)
General administration	2,143,727	2,342,923	(199,196)
Plant services	2,633,845	2,515,751	118,094
Ancillary and community services	303,187	182,187	121,000
Debt service	1,003,550	721,981	281,569
Other outgo	549,041	541,912	7,129
Depreciation	1,282,710	1,084,628	198,082
Total Expenses	27,340,853	26,805,652	535,201
Change in net position	2,560,994	(1,445,609)	4,006,603
Net Position - Beginning, as Restated*	(1,812,002)	(981,168)	(830,834)
Net Position - Ending	\$ 748,992	\$ (2,426,777)	\$ 3,175,769

**Beginning net position was restated for the 2021 year only.*

The cost of all our governmental activities this year was \$27,340,853 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only \$4,676,283 because a portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions and unrestricted federal and state aid.

**GUSTINE UNIFIED SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

In the table below, we have presented the net cost of each of the District’s functions. Net cost shows the financial burden that was placed on the District’s taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	Net Cost of Services	
	2021	2020
Instruction	\$ 7,942,551	\$ 11,980,806
Instruction-related services	2,122,161	2,159,552
Pupil services	1,713,167	2,402,411
General administration	1,804,185	1,904,945
Plant services	2,228,232	2,508,968
Ancillary and community services	285,513	182,187
Debt service	1,003,550	721,981
Transfers to other agencies	467,017	455,405
Depreciation	1,282,710	1,084,628
Total Expenses	\$ 18,849,086	\$ 23,400,883

FINANCIAL ANALYSIS OF THE DISTRICT’S MAJOR 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 \$13,763,504, which is more than this year’s restated beginning fund balance of \$9,792,325. The District’s General Fund had \$3,718,661 more in operating revenues than expenditures for the year ended June 30, 2021. The District’s Building Fund had a change in fund balance of \$236,041 for the year ended June 30, 2021 primarily due to an interfund transfer in from the County School Facilities Fund that was offset by bond-related expenditures.

CURRENT YEAR BUDGET 2020-2021

During the fiscal year, budget revisions and appropriation transfers are presented to the Board for their approval on a regular basis to reflect changes to both revenues and expenditures that become known during the year. In addition, the Board of Education approves financial projections included with the Adopted Budget, First Interim, and Second Interim financial reports. The Unaudited Actuals reflect the District’s financial projections and current budget based on State and local financial information.

**GUSTINE UNIFIED SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2020-2021 the District had invested \$27,912,966 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2021	2020	Net Change
CAPITAL ASSETS			
Land	\$ 1,671,212	\$ 1,671,212	\$ -
Construction in progress	8,600,815	7,873,457	727,358
Land improvements	3,136,431	3,052,733	83,698
Buildings & improvements	33,703,970	33,416,006	287,964
Furniture & equipment	2,351,014	2,331,659	19,355
Accumulated depreciation	(21,550,476)	(20,267,766)	(1,282,710)
Total Capital Assets	\$ 27,912,966	\$ 28,077,301	\$ (164,335)

Long-Term Liabilities

At year-end, the District had \$45,081,621 in long-term liabilities, an increase of 4% from last year – as shown in the table below. (More detailed information about the District’s long-term liabilities is presented in footnotes to the financial statements.)

	Governmental Activities		
	2021	2020	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 13,418,925	\$ 13,493,279	\$ (74,354)
Total certificates of participation	5,850,000	6,118,000	(268,000)
Construction settlement	-	65,383	(65,383)
Capital leases	302,065	462,997	(160,932)
Compensated absences	55,405	102,296	(46,891)
Net OPEB liability	3,417,859	3,278,062	139,797
Net pension liability	22,503,173	20,436,557	2,066,616
Less: current portion of long-term liabilities	(465,806)	(568,669)	102,863
Total Long-term Liabilities	\$ 45,081,621	\$ 43,387,905	\$ 1,693,716

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

At the time these financial statements were prepared and audited, the District was aware of several circumstances that could affect its future financial health.

In its March 2021 and June 2021 quarterly reports, the UCLA Anderson Forecast anticipated a robust recovery from the COVID-19–induced recession that began in March 2020. However, in its September 2021 quarterly report, hopes for blockbuster economic growth have been tempered by the spread of the delta variant and stagnating vaccination rates, which in turn have led to consumer caution and supply constraints. As a result, what could have been a couple of years of blockbuster economic performance will now likely feature solid but unspectacular growth. The economy is currently down 5.3 million payroll jobs from its pre-COVID peak, and there is little evidence to suggest that the expiration of enhanced unemployment benefits will lead to a surge in job applications.

**GUSTINE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (continued)

Fiscal policy for the funding of public education changes annually based on fluctuations in State revenues. Governor Gavin Newsom's "California Comeback Plan" includes a mix of ongoing and one-time investments of \$100 billion made possible by an unanticipated surge in state revenues and robust federal stimulus funding.

Landmark legislation passed in year 2013 reformed California school district finance by creating the Local Control Funding Formula (LCFF). The LCFF is designed to provide a flexible funding mechanism that links student achievement to state funding levels. The LCFF provides a per-pupil base grant amount, by grade span, that is augmented by supplemental funding for targeted student groups in low-income brackets, those that are English language learners and foster youth.

Factors related to LCFF that the District is monitoring include: (1) estimates of funding in the next budget year and beyond; (2) the Local Control and Accountability Plan (LCAP) that aims to link student accountability measurements to funding allocations; (3) ensuring the integrity of reporting student data through the California Longitudinal Pupil Achievement Data System (CALPADS); and (4) meeting annual compliance and audit requirements.

The May 2021 Budget Revision provides additional funding to further reduce the funding deferrals that were included in the 2020-21 Enacted Budget. The Governor's Budget in January proposed paying down \$9.2 billion of the K-12 deferrals. The May 2021 Budget Revision proposes paying down an additional \$1.1 billion, leaving a balance of \$2.6 billion at the end of the 2021-22 fiscal year.

The District participates in state employee pensions plans, California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2021. The amount of the liability is material to the financial position of the District. Beginning in 2021-22, the CalSTRS Board has limited authority to increase or decrease rates by a maximum of 1% annually (not to exceed 20.25% of creditable compensation), the projected employer contribution rate for 2021-22 is 16.92%. The CalPERS Board adopted an employer contribution rate of 22.91% for 2021-22. The projected increased pension costs to school employers remain a significant fiscal factor.

Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, inter-district transfers in or out, economic conditions and housing values. Losses in enrollment will cause a school district to lose operating revenues without necessarily permitting the district to make adjustments in fixed operating costs.

All of these factors were considered in preparing the District's budget for the 2021-22 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Chief Business Officer at Gustine Unified School District, 1500 Meredith Avenue, Gustine, California, 95322, or by phone at 209-854-3784.

GUSTINE UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities
ASSETS	
Cash and investments	\$ 11,971,776
Accounts receivable	4,705,444
Prepaid expenses	164,878
Capital assets, not depreciated	10,272,027
Capital assets, net of accumulated depreciation	17,640,939
Total Assets	44,755,064
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	5,893,062
Deferred outflows related to OPEB	498,639
Total Deferred Outflows of Resources	6,391,701
LIABILITIES	
Accrued liabilities	2,551,336
Unearned revenue	763,500
Long-term liabilities, current portion	465,806
Long-term liabilities, non-current portion	45,081,621
Total Liabilities	48,862,263
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	623,319
Deferred inflows related to OPEB	912,191
Total Deferred Inflows of Resources	1,535,510
NET POSITION	
Net investment in capital assets	9,608,466
Restricted:	
Capital projects	772,776
Debt service	136,270
Educational programs	1,487,686
Food service	359,284
Associated student body	188,841
Unrestricted	(11,804,331)
Total Net Position	\$ 748,992

The accompanying notes are an integral part of these financial statements.

**GUSTINE UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Function/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
GOVERNMENTAL ACTIVITIES					
Instruction	\$ 13,500,347	\$ 86,006	\$ 4,241,793	\$ 1,229,997	\$ (7,942,551)
Instruction-related services					
Instructional supervision and administration	31,821	-	2,505	-	(29,316)
Instructional library, media, and technology	69,376	-	-	-	(69,376)
School site administration	2,277,517	-	254,048	-	(2,023,469)
Pupil services					
Home-to-school transportation	569,717	-	29,247	-	(540,470)
Food services	1,114,971	-	1,052,928	-	(62,043)
All other pupil services	1,861,044	-	750,390	-	(1,110,654)
General administration					
Centralized data processing	46,980	-	43,700	-	(3,280)
All other general administration	2,096,747	5,606	290,236	-	(1,800,905)
Plant services	2,633,845	-	405,613	-	(2,228,232)
Ancillary services	303,187	-	17,674	-	(285,513)
Interest on long-term debt	1,003,550	-	-	-	(1,003,550)
Other outgo	549,041	-	82,024	-	(467,017)
Depreciation (unallocated)	1,282,710	-	-	-	(1,282,710)
Total Governmental Activities	\$ 27,340,853	\$ 91,612	\$ 7,170,158	\$ 1,229,997	(18,849,086)
General revenues					
Taxes and subventions					
Property taxes, levied for general purposes					4,043,909
Property taxes, levied for debt service					613,854
Property taxes, levied for other specific purposes					18,520
Federal and state aid not restricted for specific purposes					16,441,689
Interest and investment earnings					168,707
Miscellaneous					123,401
Subtotal, General Revenue					21,410,080
CHANGE IN NET POSITION					2,560,994
Net Position - Beginning, as Restated					(1,812,002)
Net Position - Ending					\$ 748,992

The accompanying notes are an integral part of these financial statements.

**GUSTINE UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2021**

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 9,219,675	\$ 1,272,027	\$ 1,480,074	\$ 11,971,776
Accounts receivable	4,462,890	-	242,554	4,705,444
Due from other funds	132,930	-	256,472	389,402
Prepaid expenditures	164,878	-	-	164,878
Total Assets	\$ 13,980,373	\$ 1,272,027	\$ 1,979,100	\$ 17,231,500
LIABILITIES				
Accrued liabilities	\$ 2,281,081	\$ 5,537	\$ 28,476	\$ 2,315,094
Due to other funds	256,472	-	132,930	389,402
Unearned revenue	757,279	-	6,221	763,500
Total Liabilities	3,294,832	5,537	167,627	3,467,996
FUND BALANCES				
Nonspendable	169,878	-	200	170,078
Restricted	1,473,947	1,266,490	1,707,152	4,447,589
Committed	-	-	104,121	104,121
Unassigned	9,041,716	-	-	9,041,716
Total Fund Balances	10,685,541	1,266,490	1,811,473	13,763,504
Total Liabilities and Fund Balances	\$ 13,980,373	\$ 1,272,027	\$ 1,979,100	\$ 17,231,500

The accompanying notes are an integral part of these financial statements.

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

Total Fund Balance - Governmental Funds \$ 13,763,504

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

Capital assets	\$ 49,463,442	
Accumulated depreciation	<u>(21,550,476)</u>	27,912,966

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was:

(236,242)

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Total general obligation bonds	\$ 13,418,925	
Total certificates of participation	5,850,000	
Capital leases	302,065	
Compensated absences	55,405	
Net OPEB liability	3,417,859	
Net pension liability	<u>22,503,173</u>	(45,547,427)

Deferred outflows and inflows of resources relating to pensions:

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

Deferred outflows of resources related to pensions	\$ 5,893,062	
Deferred inflows of resources related to pensions	<u>(623,319)</u>	5,269,743

Deferred outflows and inflows of resources relating to OPEB:

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

Deferred outflows of resources related to OPEB	\$ 498,639	
Deferred inflows of resources related to OPEB	<u>(912,191)</u>	(413,552)

Total Net Position - Governmental Activities		<u>\$ 748,992</u>
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**GUSTINE UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	\$ 20,022,158	\$ -	\$ 83,546	\$ 20,105,704
Federal sources	3,801,110	-	1,041,705	4,842,815
Other state sources	2,985,792	-	1,398,106	4,383,898
Other local sources	446,004	11,835	821,445	1,279,284
Total Revenues	27,255,064	11,835	3,344,802	30,611,701
EXPENDITURES				
Current				
Instruction	13,147,584	-	51,735	13,199,319
Instruction-related services				
Instructional supervision and administration	31,264	-	-	31,264
Instructional library, media, and technology	60,975	-	-	60,975
School site administration	2,041,029	-	141,392	2,182,421
Pupil services				
Home-to-school transportation	520,146	-	-	520,146
Food services	62,214	-	995,545	1,057,759
All other pupil services	1,768,108	-	9,281	1,777,389
General administration				
Centralized data processing	46,980	-	-	46,980
All other general administration	1,720,372	-	52,313	1,772,685
Plant services				
Facilities acquisition and maintenance	2,476,433	-	-	2,476,433
Ancillary services	42,208	1,005,791	113,244	1,161,243
Transfers to other agencies	170,443	-	127,088	297,531
Transfers to other agencies	583,395	-	-	583,395
Debt service				
Principal	428,932	-	40,000	468,932
Interest and other	436,320	-	567,730	1,004,050
Total Expenditures	23,536,403	1,005,791	2,098,328	26,640,522
Excess (Deficiency) of Revenues Over Expenditures	3,718,661	(993,956)	1,246,474	3,971,179
Other Financing Sources (Uses)				
Transfers in	-	1,229,997	172,926	1,402,923
Transfers out	(172,926)	-	(1,229,997)	(1,402,923)
Net Financing Sources (Uses)	(172,926)	1,229,997	(1,057,071)	-
NET CHANGE IN FUND BALANCE	3,545,735	236,041	189,403	3,971,179
Fund Balance - Beginning, as Restated	7,139,806	1,030,449	1,622,070	9,792,325
Fund Balance - Ending	\$ 10,685,541	\$ 1,266,490	\$ 1,811,473	\$ 13,763,504

The accompanying notes are an integral part of these financial statements.

**GUSTINE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Net Change in Fund Balances - Governmental Funds \$ 3,971,179

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

Capital outlay:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$	1,118,375	
Depreciation expense:		(1,282,710)	(164,335)

Debt service:

In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

468,932

Unmatured interest on long-term debt:

In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period 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:

500

Compensated absences:

In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amount earned. The difference between compensated absences paid and compensated absences earned, was:

46,891

Other expenditures relating to prior periods:

Certain expenditures recognized in governmental funds relate to prior periods. Typical examples are payments on structured legal settlements or retirement incentives paid over time. These expenditures are recognized in the government-wide statement of activities in the period in which the obligations were first incurred, so they must not be recognized again in the current period. Expenditures relating to prior periods for construction settlements were:

65,383

(continued on the next page)

**GUSTINE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2021**

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB expenses are recognized when employer OPEB 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: (221,513)

Pensions:

In governmental funds, pension costs are recognized when employer contributions are made. In the government-wide statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was: (1,640,397)

Amortization of debt issuance premium or discount:

In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount is amortized over the life of the debt. Amortization of premium or discount for the period is: 34,354

Change in Net Position of Governmental Activities	\$	2,560,994
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**GUSTINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. 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 the District, this includes general operations, food service, and student-related activities.

B. Component Units

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 no such component units.

C. Basis of Presentation

Government-Wide Statements. The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue 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. Indirect expense allocations that have been made in the funds have been reserved for the statement of activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting of operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

**GUSTINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation

Fund Financial Statements. The fund financial statements provide information about the District's funds. 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 non-major funds.

Governmental funds are used to account for activities that are governmental in nature. Governmental activities are typically tax-supported and include education of pupils, operation of food service and child development programs, construction and maintenance of school facilities, and repayment of long-term debt.

Major Governmental Funds

General Fund: The General Fund is the main operating fund of the District. It is used to account for all activities except those that are required to be accounted for in another fund. In keeping with the minimum number of funds principle, all of the District's activities are reported in the General Fund unless there is a compelling reason to account for an activity in another fund. A District may have only one General Fund.

Building Fund: This fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code Section 15146*) and may not be used for any purposes other than those for which the bonds were issued. Other authorized revenues to the Building Fund are proceeds from the sale or lease-with-option-to-purchase of real property (*Education Code Section 17462*) and revenue from rentals and leases of real property specifically authorized for deposit into the fund by the governing board (*Education Code Section 41003*).

Non-Major Governmental Funds

Special Revenue Funds: Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The District maintains the following special revenue funds:

Student Activity Fund: This fund may be used to account for student body activities that do not meet the fiduciary criteria established in GASB Statement No. 84.

Adult Education Fund: This fund is used to account separately for federal, state, and local revenues for adult education programs. Money in this fund shall be expended for adult education purposes only. Moneys received for programs other than adult education shall not be expended for adult education (*Education Code Sections 52616[b]* and *52501.5[a]*).

Cafeteria Fund: This fund is used to account separately for federal, state, and local resources to operate the food service program (*Education Code Sections 38090–38093*). The Cafeteria Fund shall be used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code Sections 38091* and *38100*).

**GUSTINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

Special Revenue Funds (continued)

Deferred Maintenance Fund: This fund is used to account separately for state apportionments and the District's contributions for deferred maintenance purposes (*Education Code Sections 17582–17587*). In addition, whenever the state funds provided pursuant to *Education Code Sections 17584 and 17585* (apportionments from the State Allocation Board) are insufficient to fully match the local funds deposited in this fund, the governing board of a school district may transfer the excess local funds deposited in this fund to any other expenditure classifications in other funds of the District (*Education Code Sections 17582 and 17583*).

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

Capital Facilities Fund: This fund is used primarily to account separately for moneys received from fees levied on developers or other agencies as a condition of approving a development (*Education Code Sections 17620–17626*). The authority for these levies may be county/city ordinances (*Government Code Sections 65970–65981*) or private agreements between the District and the developer. Interest earned in the Capital Facilities Fund is restricted to that fund (*Government Code Section 66006*).

County School Facilities Fund: This fund is established pursuant to *Education Code Section 17070.43* to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code Section 17070 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*).

Debt Service Funds: Debt service funds are established to account for the accumulation of resources for and the payment of principal and interest on general long-term debt.

Bond Interest and Redemption Fund: This fund is used for the repayment of bonds issued for the District (*Education Code Sections 15125–15262*). The board of supervisors of the county issues the bonds. The proceeds from the sale of the bonds are deposited in the county treasury to the Building Fund of the District. Any premiums or accrued interest received from the sale of the bonds must be deposited in the Bond Interest and Redemption Fund of the District. The county auditor maintains control over the District's Bond Interest and Redemption Fund. The principal and interest on the bonds must be paid by the county treasurer from taxes levied by the county auditor-controller.

**GUSTINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Net Position equals assets and deferred outflows of resources minus liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The net position should be reported as restricted when constraints placed on its use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities results from special revenue funds and the restrictions on their use.

Governmental Funds

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

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school 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 school districts as collectible within one year.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue

Unearned revenue arises when 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 balance sheet and revenue is recognized.

**GUSTINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus (continued)

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.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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

Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds.

Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB Statement No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

**GUSTINE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets (continued)

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Buildings	20 to 50 years
Improvements/Infrastructure	5 to 50 years
Equipment	2 to 15 years

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds."

Compensated Absences

Accumulated unpaid employee vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resource. These amounts are recorded in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

**GUSTINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Measurement Period	July 1, 2020 to June 30, 2021

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

Premiums and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

Deferred Outflows/Deferred Inflows of Resources

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans (the Plans) of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) 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, 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.

**GUSTINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification reflects amounts that are not in spendable form. Examples include inventory, prepaid items, the long-term portion of loans receivable, and nonfinancial assets held for resale. This classification also reflects amounts that are in spendable form but that are legally or contractually required to remain intact, such as the principal of a permanent endowment.

Restricted - The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Governing Board. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. In contrast to restricted fund balance, committed fund balance may be redirected by the government to other purposes as long as the original constraints are removed or modified in the same manner in which they were imposed, that is, by the same formal action of the Governing Board.

Assigned - The assigned fund balance classification reflects amounts that the government *intends* to be used for specific purposes. Assignments may be established either by the Governing Board or by a designee of the governing body, and are subject to neither the restricted nor committed levels of constraint. In contrast to the constraints giving rise to committed fund balance, constraints giving rise to assigned fund balance are not required to be imposed, modified, or removed by formal action of the Governing Board. The action does not require the same level of formality and may be delegated to another body or official. Additionally, the assignment need not be made before the end of the reporting period, but rather may be made any time prior to the issuance of the financial statements.

Unassigned - In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**GUSTINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities columns of the statement of activities.

G. Estimates

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

H. 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.

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.

I. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County Auditor-Controller bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

J. New Accounting Pronouncements

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This standard's primary objective is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2019. The District has implemented this Statement as of June 30, 2021.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. This standard's primary objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after June 15, 2021. The District has not yet determined the impact on the financial statements.

**GUSTINE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements (continued)

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. This standard’s primary objectives 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. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2021. The District has not yet determined the impact on the financial statements.

GASB Statement No. 92 – In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. This standard’s primary objectives are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. A portion of this statement was effective upon issuance, while the majority of this statement was postponed by GASB Statement No. 95 and is effective for periods beginning after June 15, 2021. The District has implemented the requirements that were effective upon issuance but has not yet determined the impact on the financial statements for the requirements of this statement that are not yet effective.

GASB Statement No. 97 – In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. This standard’s primary objectives are to increase consistency and comparability related to reporting fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; to mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and to enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The statement is effective for periods beginning after June 15, 2021. The District has not yet determined the impact on the financial statements.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Activities
Investment in county treasury	\$ 11,703,716
Cash on hand and in banks	262,592
Cash with fiscal agent	268
Cash in revolving fund	5,200
Total	\$ 11,971,776

**GUSTINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 2 – CASH AND INVESTMENTS (continued)

B. Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the state; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; collateralized mortgage obligations; and the County Investment Pool.

Investment in County Treasury – The District maintains substantially all of its cash in the County Treasury in accordance with *Education Code Section 41001*. The Merced County Treasurer’s pooled investments are managed by the County Treasurer who reports on a monthly basis to the board of supervisors. In addition, the function of the County Treasury Oversight Committee is to review and monitor the County’s investment policy. The committee membership includes the Treasurer and Tax Collector, the Auditor-Controller, Chief Administrative Officer, Superintendent of Schools Representative, and a public member. The fair value of the District’s investment in the pool is based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Cash with Fiscal Agent – This represents amounts held by a third-party custodian in the District’s name to be used for capital projects.

**GUSTINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its website. The table below identifies the investment types permitted by California Government Code.

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U. S. Treasury Obligations	5 years	None	None
U. S. Agency Securities	5 years	None	None
Banker’s Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$11,665,470 and an amortized book value of \$11,703,716. The average weighted maturity for this pool is 658 days.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2021, the pooled investments in the County Treasury were not rated.

**GUSTINE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2021**

NOTE 2 – CASH AND INVESTMENTS (continued)

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the 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. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2021, the District’s bank balance was not exposed to custodial credit risk.

G. Fair Value

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy 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 (unadjusted) in active markets for identical assets.

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, either directly or indirectly.

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

Uncategorized - Investments in the Merced 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.

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

	<u>Uncategorized</u>
Investment in county treasury	\$ 11,665,470
Total	<u>\$ 11,665,470</u>

GUSTINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 3 – ACCOUNTS RECEIVABLE

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

	General Fund	Non-Major Governmental Funds	Governmental Activities
Federal Government			
Categorical aid	\$ 791,160	\$ 227,833	\$ 1,018,993
State Government			
Apportionment	3,224,270	14,721	3,238,991
Categorical aid	52,992	-	52,992
Lottery	119,516	-	119,516
Local Government			
Other local sources	274,952	-	274,952
Total	\$ 4,462,890	\$ 242,554	\$ 4,705,444

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance July 01, 2020	Additions	Deletions	Balance June 30, 2021
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,671,212	\$ -	\$ -	\$ 1,671,212
Construction in progress	7,873,457	992,412	265,054	8,600,815
Total Capital Assets not Being Depreciated	9,544,669	992,412	265,054	10,272,027
Capital assets being depreciated				
Land improvements	3,052,733	83,698	-	3,136,431
Buildings & improvements	33,416,006	287,964	-	33,703,970
Furniture & equipment	2,331,659	19,355	-	2,351,014
Total Capital Assets Being Depreciated	38,800,398	391,017	-	39,191,415
Less Accumulated Depreciation				
Land improvements	2,873,850	17,614	-	2,891,464
Buildings & improvements	16,189,420	1,037,488	-	17,226,908
Furniture & equipment	1,204,496	227,608	-	1,432,104
Total Accumulated Depreciation	20,267,766	1,282,710	-	21,550,476
Governmental Activities				
Capital Assets, net	\$ 28,077,301	\$ 100,719	\$ 265,054	\$ 27,912,966

**GUSTINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due From/Due To)

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

<u>Due To Other Funds</u>	<u>Due From Other Funds</u>		
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
General Fund	\$ -	\$ 256,472	\$ 256,472
Non-Major Governmental Funds	132,930	-	132,930
Total	\$ 132,930	\$ 256,472	\$ 389,402

Due from the General Fund to the Adult Education Fund for contribution to the program.	\$ 101,175
Due from the General Fund to the Cafeteria Fund for contribution to program.	71,751
Due from the General Fund to the Deferred Maintenance Fund for maintenance project.	83,546
Due from the Adult Education Fund to the General Fund for temporary borrowing.	91,389
Due from the Cafeteria Fund to the General Fund for temporary borrowing.	41,541
Total	\$ 389,402

B. Operating Transfers

Interfund transfers for the year ended June 30, 2021 consisted of the following:

<u>Interfund Transfers Out</u>	<u>Interfund Transfers In</u>		
	<u>Building Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
General Fund	\$ -	\$ 172,926	\$ 172,926
Non-Major Governmental Funds	1,229,997	-	1,229,997
Total	\$ 1,229,997	\$ 172,926	\$ 1,402,923

Transfer from the General Fund to the Adult Education Fund for contribution to program.	\$ 101,175
Transfer from the General Fund to the Cafeteria Fund for contribution to program.	71,751
Transfer from the County School Facilities Fund to the Building Fund for the Office of Public School Construction (OPSC) reimbursements.	1,229,997
Total	\$ 1,402,923

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2021 consisted of the following:

	<u>General Fund</u>	<u>Building Fund</u>	<u>Non-Major Governmental Funds</u>	<u>District-Wide</u>	<u>Governmental Activities</u>
Payroll	\$ 500,397	\$ -	\$ 876	\$ -	\$ 501,273
Construction	-	5,537	-	-	5,537
Vendors payable	724,410	-	27,600	-	752,010
Unmatured interest	-	-	-	236,242	236,242
Due to grantor government	1,056,274	-	-	-	1,056,274
Total	\$ 2,281,081	\$ 5,537	\$ 28,476	\$ 236,242	\$ 2,551,336

**GUSTINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2021 consisted of the following:

	General Fund	Non-Major Governmental Funds	Governmental Activities
Federal sources	\$ 312,033	\$ 6,221	\$ 318,254
State categorical sources	445,246	-	445,246
Total	\$ 757,279	\$ 6,221	\$ 763,500

NOTE 8 – LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2021 consisted of the following:

	Balance July 01, 2020	Additions	Deductions	Balance June 30, 2021	Balance Due In One Year
Governmental Activities					
General obligation bonds	\$ 12,610,000	\$ -	\$ 40,000	\$ 12,570,000	\$ 20,000
Unamortized premium	883,279	-	34,354	848,925	34,354
Total general obligation bonds	13,493,279	-	74,354	13,418,925	54,354
Certificates of participation	6,118,000	-	268,000	5,850,000	278,000
Construction settlement	65,383	-	65,383	-	-
Capital leases	462,997	-	160,932	302,065	133,452
Compensated absences	102,296	-	46,891	55,405	-
Net OPEB liability	3,278,062	139,797	-	3,417,859	-
Net pension liability	20,436,557	2,066,616	-	22,503,173	-
Total	\$ 43,956,574	\$ 2,206,413	\$ 615,560	\$ 45,547,427	\$ 465,806

- Payments on general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments on certificates of participation, capital leases, and construction settlement are made in the General Fund.
- Payments for compensated absences are made in the General Fund and Cafeteria Fund.

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2021 amounted to \$55,405. This amount is included as part of long-term liabilities in the government-wide financial statements.

B. General Obligation Bonds

The outstanding general obligation bonds of the District at June 30, 2021 are as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding			Bonds Outstanding June 30, 2021
					July 01, 2020	Additions	Deductions	
2015A	4/29/2015	8/1/2044	2.0% - 5.0%	\$ 4,000,000	\$ 2,910,000	\$ -	-	\$ 2,910,000
2016B	12/8/2016	8/1/2046	2.0% - 5.0%	5,400,000	5,400,000	-	-	5,400,000
2018C	6/5/2018	8/1/2046	2.0% - 5.0%	4,500,000	4,300,000	-	40,000	4,260,000
					\$ 12,610,000	\$ -	\$ 40,000	\$ 12,570,000

GUSTINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021

NOTE 8 – LONG-TERM LIABILITIES (continued)

B. General Obligation Bonds (continued)

On April 29, 2015, the District issued general obligation bonds in the amount of \$4,000,000 with interest rates ranging from 2.00 to 5.00 percent. At June 30, 2021, the principal balance outstanding was \$2,910,000.

Year Ended June 30,	Principal	Interest	Total
2022	\$ 20,000	\$ 118,888	\$ 138,888
2023	25,000	118,438	143,438
2024	30,000	117,888	147,888
2025	35,000	117,194	152,194
2026	40,000	116,200	156,200
2027 - 2031	320,000	556,019	876,019
2032 - 2036	550,000	484,281	1,034,281
2037 - 2041	865,000	354,313	1,219,313
2042 - 2045	1,025,000	107,875	1,132,875
Total	\$ 2,910,000	\$ 2,091,096	\$ 5,001,096

On December 8, 2016, the District issued general obligation bonds in the amount of \$5,500,000 with interest rates ranging from 2.00 to 5.00 percent. At June 30, 2021, the principal balance outstanding was \$5,400,000.

Year Ended June 30,	Principal	Interest	Total
2022	\$ -	\$ 263,138	\$ 263,138
2023	-	263,138	263,138
2024	-	263,138	263,138
2025	-	263,138	263,138
2026	25,000	262,638	287,638
2027 - 2031	290,000	1,287,288	1,577,288
2032 - 2036	680,000	1,196,063	1,876,063
2037 - 2041	1,215,000	997,250	2,212,250
2042 - 2046	2,320,000	586,019	2,906,019
2047	870,000	22,838	892,838
Total	\$ 5,400,000	\$ 5,404,648	\$ 10,804,648

On June 5, 2018, the District issued general obligation bonds in the amount of \$4,500,000 with interest rates ranging from 2.00 to 5.00 percent. At June 30, 2021, the principal balance outstanding was \$4,260,000.

Year Ended June 30,	Principal	Interest	Total
2022	\$ -	\$ 184,756	\$ 184,756
2023	-	184,756	184,756
2024	25,000	184,506	209,506
2025	45,000	183,806	228,806
2026	40,000	182,956	222,956
2027 - 2031	335,000	887,219	1,222,219
2032 - 2036	640,000	801,250	1,441,250
2037 - 2041	1,055,000	657,384	1,712,384
2042 - 2046	1,685,000	334,375	2,019,375
2047	435,000	10,875	445,875
Total	\$ 4,260,000	\$ 3,611,883	\$ 7,871,883

**GUSTINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 8 – LONG-TERM LIABILITIES (continued)

C. Direct Placement Certificates of Participation

On January 12, 2017, the District issued 2017 Refunding Direct Placement Certificates of Participation in the amount of \$6,875,000 with an interest rate of 3.50%. Future payments on the 2017 Refunding Certificates of Participation are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 278,000	\$ 202,335	\$ 480,335
2023	292,000	192,483	484,483
2024	301,000	182,175	483,175
2025	305,000	171,588	476,588
2026	318,000	160,808	478,808
2027 - 2031	1,776,000	626,990	2,402,990
2032 - 2036	2,112,000	290,273	2,402,273
2037	468,000	12,285	480,285
Total	\$ 5,850,000	\$ 1,838,937	\$ 7,688,937

D. Construction Settlement

The District had a legal settlement with a construction company pertaining to a past construction project. The principal balance outstanding was paid off during the year ended June 30, 2021.

E. Capital Leases

The District has entered into various capital leases for buses and other vehicles. Future minimum lease payments under the capital leases were as follows at June 30, 2021:

<u>Year Ended June 30,</u>	<u>Lease Payment</u>
2022	\$ 143,556
2023	107,329
2024	69,154
Total minimum lease payments	320,039
Less amount representing interest	(17,974)
Present value of minimum lease payments	<u>\$ 302,065</u>

F. Other Postemployment Benefits

The District's beginning net OPEB liability was \$3,278,062 and increased by \$139,797 during the year ended June 30, 2021. The ending net OPEB liability at June 30, 2021 was \$3,417,859. See Note 10 for additional information regarding the net OPEB liability.

G. Net Pension Liability

The District's beginning net pension liability was \$20,436,557 and increased by \$2,066,616 during the year ended June 30, 2021. The ending net pension liability at June 30, 2021 was \$22,503,173. See Note 11 for additional information regarding the net pension liability.

**GUSTINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2021:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable				
Revolving cash	\$ 5,000	\$ -	\$ 200	\$ 5,200
Prepaid expenditures	164,878	-	-	164,878
Total non-spendable	169,878	-	200	170,078
Restricted				
Educational programs	1,473,947	-	13,739	1,487,686
Food service	-	-	359,284	359,284
Associated student body	-	-	188,841	188,841
Capital projects	-	1,266,490	772,776	2,039,266
Debt service	-	-	372,512	372,512
Total restricted	1,473,947	1,266,490	1,707,152	4,447,589
Committed				
Deferred maintenance	-	-	104,121	104,121
Total committed	-	-	104,121	104,121
Unassigned	9,041,716	-	-	9,041,716
Total Fund Balance	\$ 10,685,541	\$ 1,266,490	\$ 1,811,473	\$ 13,763,504

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's Minimum Fund Balance Policy requires a Reserve for Economic Uncertainties, consisting of unassigned amounts, equal to no less than 3 percent of General Fund expenditures and other financing uses.

**GUSTINE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2021**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

The Gustine Unified School District’s defined benefit OPEB plan, Gustine Unified School District Retiree Benefit Plan (the Plan) is a single-employer OPEB plan administered by the District. The District participates in the Self-Insured Schools of California (SISC) Trust, which is an agent multiple-employer OPEB plan administered by SISC. The Trust was established to provide governmental agencies in the state of California a mechanism for pre-funding Other Post- Employment Benefits (OPEB) liabilities. SISC issues a separate Financial Report and Schedules of Change in Fiduciary Net Position by Employer that are prepared in accordance with accounting principles generally accepted in the United States of America. Copies of the Self-Insured Schools of California Trust financial report may be obtained from the Self-Insured Schools of California – 2000 “K” Street, Bakersfield, CA 93303-1847.

B. Benefits Provided

The eligibility requirements and benefits provided by the Plan are described below.

	Certificated including Management	Classified including Management and Confidential
Benefit types provided	Medical only	Medical only
Duration of Benefits	To 65	To 65
Required Service	15 years	10years
Minimum Age	58-1/2	60
Dependent Coverage	Yes	Yes
District Contribution %	100% to cap	100% to cap
District Cap	Active cap	Active cap

C. Contributions

For fiscal year 2020-21, the District contributed \$78,031 to the Plan, all of which was used for current premiums.

**GUSTINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

D. Plan Membership

Membership of the Plan consisted of the following:

	<u>Number of participants</u>
Inactive employees receiving benefits	9
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	<u>168</u>
Total number of participants**	<u>177</u>

*Information not provided

**As of the June 30, 2020 valuation date

E. Net OPEB Liability

The components of the net OPEB liability of the District at June 30, 2021, were as follows:

Total OPEB liability	\$ 3,624,161
Plan fiduciary net position	<u>(206,302)</u>
District's net OPEB liability	<u>\$ 3,417,859</u>
 Plan fiduciary net position as a percentage of total OPEB liability	 5.69%

F. Investments

The Plan discount rate was based on assumed long-term return on plan assets assuming 100% funding through the SISC Trust using the following asset allocation and assumed rate of return:

<u>Asset Class</u>	<u>Percentage of Portfolio</u>	<u>Assumed Gross Return</u>
US Large Cap	40%	7.5450%
US Small Cap	20%	7.5450%
Long-Term Corporate Bonds	25%	5.0450%
Long-Term Government Bonds	10%	4.2500%
Short-Term Government Fixed	5%	3.0000%

**GUSTINE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2021**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

G. Actuarial Assumptions and Other Inputs

The net OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, using standard actuarial roll-forward methodology to estimate the liability as of the measurement date:

Economic assumptions:

Inflation	2.50%
Salary increases	2.75%
Discount rate	2.55%
Healthcare cost trend rates	4.00%

Non-economic assumptions:

Mortality:

Certificated	2020 CalSTRS Mortality
Classified	2017 CalPERS Mortality for Miscellaneous and Schools Employees

Retirement rates:

Certificated	2020 CalSTRS Retirement Rates Table
Classified	2017 CalPERS Retirement Rates for School Employees Table*
	2017 CalPERS Retirement Rates for Miscellaneous Employees**
Management*	2017 CalPERS Retirement Rates for School Employees Table*
	2017 CalPERS Retirement Rates for Miscellaneous Employees**

*Hired before 1/1/2013

**Hired after 12/31/2012

The actuarial assumptions used in the June 30, 2020 valuation were based on a review of plan experience during that period.

The discount rate was based on historic 24-year real rates of return for each asset class along with an assumed long-term inflation assumption. The expected investment return was offset by investment expenses of 25 basis points. The actuary assumed contributions would be sufficient to fully fund the obligation over a period not to exceed twenty-three years.

**GUSTINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

H. Changes in Net OPEB Liability

	<u>June 30, 2021</u>
Total OPEB Liability	
Service cost	\$ 264,215
Interest on total OPEB liability	81,215
Changes of assumptions	(81,237)
Benefits payments	<u>(78,031)</u>
Net change in total OPEB liability	186,162
Total OPEB liability - beginning	<u>3,437,999</u>
Total OPEB liability - ending (a)	<u>\$ 3,624,161</u>
 Plan fiduciary net position	
Contributions - employer	\$ 78,031
Net investment income	46,543
Benefit payments	(78,031)
Administrative expenses	<u>(178)</u>
Net change in plan fiduciary net position	46,365
Plan fiduciary net position - beginning	<u>159,937</u>
Plan fiduciary net position - ending (b)	<u>\$ 206,302</u>
 District's net OPEB liability - ending (a) - (b)	<u>\$ 3,417,859</u>
 Plan fiduciary net position as a percentage of the total OPEB liability	5.69%
 Covered-employee payroll	\$ 12,199,784
 District's net OPEB liability as a percentage of covered-employee payroll	28.02%

I. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Gustine Unified School District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.55 percent) or one percentage point higher (3.55 percent) than the current discount rate:

	1% Decrease	Valuation Discount Rate	1% Increase
	(1.55%)	(2.55%)	(3.55%)
Net OPEB liability	\$ 3,728,034	\$ 3,417,859	\$ 3,173,636

**GUSTINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

J. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the Gustine Unified School District, as well as what the District’s net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (3.00 percent) or one percentage point higher (5.00 percent) than the current healthcare cost trend rate:

	1% Decrease (3.00%)	Valuation Trend Rate (4.00%)	1% Increase (5.00%)
Net OPEB liability	\$ 2,931,796	\$ 3,417,859	\$ 3,996,048

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

For the fiscal year ended June 30, 2021, the Gustine Unified School District recognized OPEB expense of \$299,545. At June 30, 2021, the Gustine Unified School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on plan investments	\$ 6,053	\$ 32,094
Differences between expected and actual experience	-	803,450
Changes in assumptions	492,586	76,647
Total	\$ 498,639	\$ 912,191

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	\$ 33,756	\$ 69,827
2023	33,756	68,608
2024	33,752	67,791
2025	31,737	67,788
2026	31,737	60,480
Thereafter	333,901	577,697
Total	\$ 498,639	\$ 912,191

**GUSTINE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2021**

NOTE 11 – PENSION PLANS

Qualified employees are covered under multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS), and classified employees are members of the California Public Employees' Retirement System (CalPERS). The District reported its proportionate share of the net pension liabilities, pension expense, deferred outflow of resources, and deferred inflow of resources for each of the above plans as follows:

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	\$ 16,812,206	\$ 4,856,114	\$ 474,133	\$ 2,600,919
PERS Pension	5,690,967	1,036,948	149,186	1,154,173
Total	\$ 22,503,173	\$ 5,893,062	\$ 623,319	\$ 3,755,092

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 7919 Folsom Blvd., Sacramento, CA 95826.

Benefits Provided

The CalSTRS defined benefit plan has two benefit formulas:

1. CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.
2. CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS. CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

**GUSTINE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2021**

NOTE 11 – PENSION PLANS (continued)

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

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2021, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2021 was 19.10% of annual payroll reduced to 16.15% pursuant to California Senate Bill 90 (SB 90). The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$1,532,220 for the year ended June 30, 2021.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$980,829 to CalSTRS.

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

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 16,812,206
State's proportionate share of the net pension liability associated with the District	8,666,624
Total	<u>\$ 25,478,830</u>

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2019 and rolling forward the total pension liability to June 30, 2020. 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. At June 30, 2020, the District’s proportion was 0.017 percent, which was an increase of 0.001 percent from its proportion measured as of June 30, 2019.

**GUSTINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 11 – 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, 2021, the District recognized pension expense of \$2,600,919. In addition, the District recognized pension expense and revenue of \$270,975 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 399,361	\$ -
Differences between expected and actual experience	29,665	474,133
Changes in assumptions	1,639,429	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,255,439	-
District contributions subsequent to the measurement date	1,532,220	-
Total	<u>\$ 4,856,114</u>	<u>\$ 474,133</u>

The \$1,532,220 reported as 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 year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2022	\$ 561,913	\$ 134,971
2023	941,845	101,662
2024	1,071,992	71,996
2025	471,478	72,517
2026	139,797	69,567
2027	136,869	23,420
Total	<u>\$ 3,323,894</u>	<u>\$ 474,133</u>

**GUSTINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

Consumer Price Inflation	2.75%
Investment Rate of Return*	7.10%
Wage Inflation	3.50%

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

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on MP-2016 series tables adjusted to fit CalSTRS experience.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2018.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS’ independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2020, are summarized in the following table:

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

*20-year geometric average

**GUSTINE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2021**

NOTE 11 – PENSION PLANS (continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 25,400,901	\$ 16,812,206	\$ 9,721,028

Pension Plan Fiduciary Net Position

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

**GUSTINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Benefits Provided

The benefits for the defined benefit plan are based on members' years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions

Active plan members who entered into the plan prior to January 1, 2013, are required to contribute 7.0% of their salary. The California Public Employees' Pension Reform Act (PEPRA) specifies that new members entering into the plan on or after January 1, 2013, shall pay the higher of fifty percent of normal costs or 7.0% of their salary. Additionally, for new members entering the plan on or after January 1, 2013, the employer is prohibited from paying any of the employee contribution to CalPERS unless the employer payment of the member's contribution is specified in an employment agreement or collective bargaining agreement that expires after January 1, 2013.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2021 was 22.68% of annual payroll reduced to 20.70% pursuant to California Senate Bill 90 (SB 90). Contributions to the plan from the District were \$582,475 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$5,690,967 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2019 and rolling forward the total pension liability to June 30, 2020. 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. At June 30, 2020, the District's proportion was 0.019 percent, which did not change from its proportion measured as of June 30, 2019.

**GUSTINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 11 – 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 (continued)

For the year ended June 30, 2021, the District recognized pension expense of \$1,154,173. At June 30, 2021, 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>
Differences between projected and actual earnings on plan investments	\$ 118,468	\$ -
Differences between expected and actual experience	282,254	-
Changes in assumptions	20,869	-
Changes in proportion and differences between District contributions and proportionate share of contributions	32,882	149,186
District contributions subsequent to the measurement date	582,475	-
Total	<u>\$ 1,036,948</u>	<u>\$ 149,186</u>

The \$582,475 reported as 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 year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2022	\$ 179,082	\$ 51,444
2023	123,291	51,444
2024	95,529	46,298
2025	56,571	-
Total	<u>\$ 454,473</u>	<u>\$ 149,186</u>

**GUSTINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Discount Rate	7.15%
Salary Increases	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS’ membership data for all funds. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016.

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period from 1997 to 2015.

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. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 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 administrative expenses.

**GUSTINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions (continued)

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

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*	Real Return Years 11+**
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Assets	13.0%	3.75%	4.93%
Liquidity	1.0%	0.0%	-0.92%
	100.0%		

*An expected inflation of 2.00% used for this period.

**An expected inflation of 2.92% used for this period.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS’ website.

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

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

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	\$ 8,181,803	\$ 5,690,967	\$ 3,623,698

Pension Plan Fiduciary Net Position

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

**GUSTINE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2021**

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2021.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2021.

C. Construction Commitments

As of June 30, 2021, the District had commitments with respect to unfinished capital projects related to bond projects.

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in three joint ventures under joint powers authorities (JPAs), the Self-Insured Schools of California (SISC III), the Merced County Schools Insurance Group I (MCSIG I), and the Central Region Schools Insurance Group (CRSIG). The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

The JPAs have budgeting and financial reporting requirements independent of member units, and their financial statements are not presented in these financial statements. However, fund transactions between the JPAs and the District are included in these statements. The audited financial statements are generally available from the respective entities.

**GUSTINE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS, continued
 JUNE 30, 2021**

NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2021, total deferred outflows related to pensions was \$5,893,062 and total deferred inflows related to pensions was \$623,319.

B. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2021, total deferred outflows related to other postemployment benefits was \$498,639 and deferred inflows related to other postemployment benefits was \$912,191.

NOTE 15 – RESTATEMENT OF NET POSITION AND FUND BALANCE

The amounts previously reported at June 30, 2020 as the ending net position for Governmental Activities and the ending fund balance for the Student Activity Fund have been restated due to the implementation of GASB Statement No. 84, *Fiduciary Activities*. Based on the clarifications provided by GASB Statement No. 84 and California Education Code regarding associated student body (ASB) accounts, it has been determined that the District’s ASB accounts are not fiduciary because they do not meet the criteria established by GASB Statement No. 84, paragraph 11(c)(2) regarding administrative involvement. Additionally, the Building Fund was restated due to prior year payables that were not properly cleared. The June 30, 2020 ending balances have been restated as follows:

	Governmental Activities	
Net Position - Beginning, as Previously Reported	\$	(2,426,777)
Restatement		614,775
Net Position - Beginning, as Restated	<u>\$</u>	<u>(1,812,002)</u>

	Building Fund	Student Activity Fund
Fund Balance - Beginning, as Previously Reported	\$ 627,922	\$ -
Restatement	402,527	212,248
Fund Balance - Beginning, as Restated	<u>\$ 1,030,449</u>	<u>\$ 212,248</u>

REQUIRED SUPPLEMENTARY INFORMATION

**GUSTINE UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual* (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
LCFF sources	\$ 18,478,824	\$ 20,113,259	\$ 20,105,704	\$ (7,555)
Federal sources	1,764,598	4,200,692	4,018,519	(182,173)
Other state sources	1,428,968	1,734,335	2,985,792	1,251,457
Other local sources	305,352	294,004	446,004	152,000
Total Revenues	21,977,742	26,342,290	27,556,019	1,213,729
EXPENDITURES				
Certificated salaries	9,423,101	10,206,907	9,510,546	696,361
Classified salaries	2,853,187	2,873,469	2,985,360	(111,891)
Employee benefits	4,980,271	5,162,784	5,154,230	8,554
Books and supplies	1,017,890	2,685,542	1,893,073	792,469
Services and other operating expenditures	2,077,216	2,915,091	2,529,269	385,822
Capital outlay	323,316	366,746	323,138	43,608
Other outgo				
Excluding transfers of indirect costs	1,006,866	1,014,867	1,448,647	(433,780)
Transfers of indirect costs	(7,964)	(51,398)	(52,313)	915
Total Expenditures	21,673,883	25,174,008	23,791,950	1,382,058
Excess (Deficiency) of Revenues Over Expenditures	303,859	1,168,282	3,764,069	2,595,787
Other Financing Sources (Uses)				
Other sources	300,000	300,000	255,548	(44,452)
Transfers out	(267,586)	(242,584)	(256,473)	(13,889)
Net Financing Sources (Uses)	32,414	57,416	(925)	(58,341)
NET CHANGE IN FUND BALANCE	336,273	1,225,698	3,763,144	2,537,446
Fund Balance - Beginning	7,139,805	7,139,805	7,139,805	-
Fund Balance - Ending	\$ 7,476,078	\$ 8,365,503	\$ 10,902,949	\$ 2,537,446

* The actual amounts reported on this schedule do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance for the following reasons:

- The amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects in accordance with the fund type definitions promulgated by GASB Statement No. 54.
- Audit adjustments are not included in this schedule.

**GUSTINE UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total OPEB Liability				
Service cost	\$ 264,215	\$ 296,207	\$ 267,666	\$ 173,874
Interest on total OPEB liability	81,215	111,940	98,667	128,594
Difference between expected and actual experience	-	(365,481)	-	-
Changes of assumptions	(81,237)	470,604	90,605	(620,231)
Benefits payments	<u>(78,031)</u>	<u>(73,235)</u>	<u>(131,756)</u>	<u>(274,740)</u>
Net change in total OPEB liability	186,162	440,035	325,182	(592,503)
Total OPEB liability - beginning	<u>3,437,999</u>	<u>2,997,964</u>	<u>2,672,782</u>	<u>3,265,285</u>
Total OPEB liability - ending (a)	<u>\$ 3,624,161</u>	<u>\$ 3,437,999</u>	<u>\$ 2,997,964</u>	<u>\$ 2,672,782</u>
Plan fiduciary net position				
Contributions - employer	\$ 78,031	\$ 73,235	\$ 131,756	\$ -
Net investment income	46,543	(85)	9,523	11,657
Benefit payments	(78,031)	(73,235)	(131,756)	-
Administrative expenses	<u>(178)</u>	<u>(157)</u>	<u>(150)</u>	<u>(145)</u>
Net change in plan fiduciary net position	46,365	(242)	9,373	11,512
Plan fiduciary net position - beginning	<u>159,937</u>	<u>160,179</u>	<u>150,806</u>	<u>139,294</u>
Plan fiduciary net position - ending (b)	<u>\$ 206,302</u>	<u>\$ 159,937</u>	<u>\$ 160,179</u>	<u>\$ 150,806</u>
District's net OPEB liability - ending (a) - (b)	<u>\$ 3,417,859</u>	<u>\$ 3,278,062</u>	<u>\$ 2,837,785</u>	<u>\$ 2,521,976</u>
Plan fiduciary net position as a percentage of the total OPEB liability	5.69%	4.65%	5.34%	5.64%
Covered-employee payroll	\$ 12,199,784	\$ 12,092,691	\$ 11,767,903	\$ 11,046,673
District's net OPEB liability as a percentage of covered-employee payroll	28.02%	27.11%	24.11%	22.83%

See accompanying notes to required supplementary information.

**GUSTINE UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.017%	0.016%	0.016%	0.016%	0.015%	0.015%	0.014%
District's proportionate share of the net pension liability	\$ 16,812,206	\$ 14,809,219	\$ 15,082,440	\$ 14,356,200	\$ 12,173,132	\$ 10,083,286	\$ 8,303,471
State's proportionate share of the net pension liability associated with the District	8,666,624	8,079,483	8,635,444	8,493,075	6,930,968	5,332,932	4,817,859
Total	\$ 25,478,830	\$ 22,888,702	\$ 23,717,884	\$ 22,849,275	\$ 19,104,100	\$ 15,416,218	\$ 13,121,330
District's covered payroll	\$ 9,392,370	\$ 8,993,923	\$ 8,584,261	\$ 8,478,732	\$ 7,635,220	\$ 6,874,775	\$ 6,328,848
District's proportionate share of the net pension liability as a percentage of its covered payroll	179.0%	164.7%	175.7%	169.3%	159.4%	146.7%	131.2%
Plan fiduciary net position as a percentage of the total pension liability	71.8%	72.6%	71.0%	69.5%	70.0%	74.0%	76.5%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**GUSTINE UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.019%	0.019%	0.018%	0.018%	0.017%	0.017%	0.016%
District's proportionate share of the net pension liability	\$ 5,690,967	\$ 5,627,338	\$ 4,917,008	\$ 4,223,638	\$ 3,384,648	\$ 2,565,284	\$ 1,840,690
District's covered payroll	\$ 2,700,321	\$ 2,682,980	\$ 2,462,412	\$ 2,291,313	\$ 2,143,039	\$ 1,840,281	\$ 1,702,071
District's proportionate share of the net pension liability as a percentage of its covered payroll	210.8%	209.7%	199.7%	184.3%	157.9%	139.4%	108.1%
Plan fiduciary net position as a percentage of the total pension liability	70.0%	70.0%	70.8%	71.9%	73.9%	79.4%	83.4%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

**GUSTINE UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 1,532,220	\$ 1,608,605	\$ 1,466,506	\$ 1,227,559	\$ 1,084,605	\$ 789,133	\$ 634,175
Contributions in relation to the contractually required contribution*	(1,532,220)	(1,608,605)	(1,466,506)	(1,227,559)	(1,084,605)	(789,133)	(634,175)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 9,385,888	\$ 9,392,370	\$ 8,993,923	\$ 8,584,261	\$ 8,478,732	\$ 7,635,220	\$ 6,874,775
Contributions as a percentage of covered payroll	16.32%	17.13%	16.31%	14.30%	12.79%	10.34%	9.22%

*Amounts do not include on-behalf contributions

**GUSTINE UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 582,475	\$ 528,988	\$ 481,145	\$ 378,183	\$ 327,411	\$ 243,876	\$ 224,534
Contributions in relation to the contractually required contribution*	(582,475)	(528,988)	(481,145)	(378,183)	(327,411)	(243,876)	(224,534)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,813,896	\$ 2,700,321	\$ 2,682,980	\$ 2,462,412	\$ 2,291,313	\$ 2,143,039	\$ 1,840,281
Contributions as a percentage of covered payroll	20.70%	19.59%	17.93%	15.36%	14.29%	11.38%	12.20%

*Amounts do not include on-behalf contributions

**GUSTINE UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule is required by GASB Statement No. 34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

Schedule of Changes in Net OPEB Liability and Related Ratios

This 10-year schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 75 was applicable. The schedule presents the sources of change in the net OPEB liability, and the components of the net OPEB liability and related ratios, including the OPEB plan's fiduciary net position as a percentage of the total OPEB liability, and net OPEB liability as a percentage of covered-employee payroll.

Schedule of the District Contributions for OPEB

This 10-year schedule is not required to be presented as there was no actuarially determined contribution, nor any contribution requirement established by statute or contract.

Changes in Benefit Terms

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

Changes in Assumptions

The discount rate changed from 2.30% to 2.55% since the previous measurement.

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

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's proportion (percentage) of the collective net pension liability, the District's proportionate share (amount) of the collective net pension liability, the District's covered payroll, the District's proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered payroll, and the pension plan's fiduciary net position as a percentage of the total pension liability.

Changes in Benefit Terms

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

Changes in Assumptions

There were no changes in economic assumptions since the previous valuations for CalSTRS and CalPERS.

Schedule of District Contributions

This 10-year schedule is required by GASB Statement No. 68 for each cost-sharing pension plan. Until a full 10-year trend is compiled, the schedule will only show those years under which GASB Statement No. 68 was applicable. The schedule presents the District's statutorily or contractually required employer contribution, the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the difference between the statutorily or contractually required employer contribution and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution, the District's covered payroll, and the amount of contributions recognized by the pension plan in relation to the statutorily or contractually required employer contribution as a percentage of the District's covered payroll.

**GUSTINE UNIFIED SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued
 FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2021, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Classified salaries	\$ 2,873,469	\$ 2,985,360	\$ 111,891
Other outgo			
Excluding transfers of indirect costs	\$ 1,014,867	\$ 1,448,647	\$ 433,780

SUPPLEMENTARY INFORMATION

**GUSTINE UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/Program or Cluster	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A, Basic Grants Low-Income and Neglected Adult Education	84.010	14329	\$ 596,231
Adult Education: Adult Basic Education & ESL	84.002A	14508	3,051
Adult Education: Adult Secondary Education	84.002	13978	3,051
Subtotal Adult Education			6,102
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	105,619
Title III, English Learner Student Program	84.365	14346	26,642
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	19,785
Title VI, Part B, Rural & Low Income School Program	84.358B	14356	180,603
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	287,078
IDEA Private School ISPs Part B, Sec 611	84.027	10115	9,509
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027A	15197	9,327
Subtotal Special Education Cluster			305,914
Vocational Programs: Voc & Appl Tech Secondary II C, Sec 131 (Carl Perkins Act)	84.048	14894	23,360
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants:			
Governor's Emergency Education Relief (GEER) Fund	84.425C	15517	4,457
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	15536	442,615
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	393,395
Child Nutrition: COVID CARES Act Supplemental Meal Reimbursement	84.425	15535	63,142
Subtotal Education Stabilization Fund Discretionary Grants			903,609
Total U. S. Department of Education			2,167,865
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
COVID-19 Emergency Acts Funding/Extending Summer Food Service Program and SSO:			
Child Nutrition Cluster			
School Breakfast Program - Needy	10.553	13526	207,199
National School Lunch Program	10.555	13391	374,272
USDA Commodities	10.555	*	38,607
Meal Supplements	10.555	*	2,532
Subtotal Child Nutrition Cluster			622,610
CACFP Claims - Centers and Family Day Care	10.558	13393	349,853
Total U. S. Department of Agriculture			972,463
U. S. DEPARTMENT OF THE TREASURY:			
<i>Passed through California Department of Education:</i>			
COVID-19 Emergency Acts Funding:			
Coronavirus Relief Fund (CRF): Learning Loss Mitigation	21.019	25516	1,702,487
Total U. S. Department of the Treasury			1,702,487
Total Federal Expenditures			\$ 4,842,815

* - Pass-Through Entity Identifying Number not available or not applicable

**GUSTINE UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2021**

Grade Level	2020-21 Number of Days	Status
Kindergarten	180	Complied
Grade 1	180	Complied
Grade 2	180	Complied
Grade 3	180	Complied
Grade 4	180	Complied
Grade 5	180	Complied
Grade 6	180	Complied
Grade 7	180	Complied
Grade 8	180	Complied
Grade 9	180	Complied
Grade 10	180	Complied
Grade 11	180	Complied
Grade 12	180	Complied

**GUSTINE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021**

	2022 (Budget)	2021	2020	2019
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 30,179,283	\$ 27,811,567	\$ 24,317,326	\$ 24,552,454
Expenditures And Other Financing Uses	28,646,474	24,048,423	22,622,475	24,086,283
Net change in Fund Balance	<u>\$ 1,532,809</u>	<u>\$ 3,763,144</u>	<u>\$ 1,694,851</u>	<u>\$ 466,171</u>
Ending Fund Balance	<u>\$ 12,435,758</u>	<u>\$ 10,902,949</u>	<u>\$ 7,710,762</u>	<u>\$ 5,763,607</u>
Available Reserves*	<u>\$ 10,747,944</u>	<u>\$ 9,041,716</u>	<u>\$ 7,119,387</u>	<u>\$ 4,921,020</u>
Available Reserves As A Percentage Of Outgo	<u>37.52%</u>	<u>37.60%</u>	<u>31.47%</u>	<u>20.43%</u>
Long-term Liabilities	<u>\$ 45,081,621</u>	<u>\$ 45,547,427</u>	<u>\$ 43,956,574</u>	<u>\$ 43,336,136</u>
Average Daily Attendance At P-2***	<u>1,729</u>	<u>1,729</u>	<u>1,729</u>	<u>1,738</u>

The General Fund ending fund balance has increased by \$5,139,342 over the past two years. The fiscal year 2021-22 budget projects a further increase of \$1,532,809. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years and anticipates incurring an operating surplus during the 2021-22 fiscal year. Total long-term obligations have increased by \$2,211,291 over the past two years.

Average daily attendance has decreased by 9 ADA over the past two years. No change in ADA is anticipated during the 2021-22 fiscal year.

*Available reserves consist of all unassigned fund balance within the General Fund.

**The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects in accordance with the fund type definitions promulgated by GASB Statement No. 54. Audit adjustments are also not included in this schedule.

***Due to the COVID-19 pandemic, Average Daily Attendance at P-2 was not reported in 2021. Funding was based on Average Daily Attendance at P-2 as reported in 2020.

**GUSTINE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

	General Fund	Building Fund	Special Reserve Fund for Other Than Capital Outlay Projects	Student Activity Fund
June 30, 2021, annual financial and budget report fund balance	\$ 10,902,949	\$ 863,963	\$ 1	\$ -
Adjustments and reclassifications:				
Increase (decrease) in total fund balances:				
Overstatement of accounts payable	-	402,527	-	-
Overstatement of revenue	(217,409)	-	-	-
Fund balance transfer (GASB 54)	1	-	(1)	-
Adjustment cash in banks (GASB 84)	-	-	-	188,841
Net adjustments and reclassifications	(217,408)	402,527	(1)	188,841
June 30, 2021, audited financial statement fund balance	\$ 10,685,541	\$ 1,266,490	\$ -	\$ 188,841

See accompanying note to supplementary information.

**GUSTINE UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2021**

	Student Activity Fund	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds
ASSETS									
Cash and investments	\$ 188,841	\$ 7,985	\$ 108,885	\$ 20,575	\$ 456,556	\$ 5,306	\$ 319,414	\$ 372,512	\$ 1,480,074
Accounts receivable	-	1,342	241,212	-	-	-	-	-	242,554
Due from other funds	-	101,175	71,751	83,546	-	-	-	-	256,472
Total Assets	\$ 188,841	\$ 110,502	\$ 421,848	\$ 104,121	\$ 456,556	\$ 5,306	\$ 319,414	\$ 372,512	\$ 1,979,100
LIABILITIES									
Accrued liabilities	\$ -	\$ 563	\$ 19,413	\$ -	\$ 8,500	\$ -	\$ -	\$ -	\$ 28,476
Due to other funds	-	91,389	41,541	-	-	-	-	-	132,930
Unearned revenue	-	4,811	1,410	-	-	-	-	-	6,221
Total Liabilities	-	96,763	62,364	-	8,500	-	-	-	167,627
FUND BALANCES									
Non-spendable	-	-	200	-	-	-	-	-	200
Restricted	188,841	13,739	359,284	-	448,056	5,306	319,414	372,512	1,707,152
Committed	-	-	-	104,121	-	-	-	-	104,121
Total Fund Balances	188,841	13,739	359,484	104,121	448,056	5,306	319,414	372,512	1,811,473
Total Liabilities and Fund Balance	\$ 188,841	\$ 110,502	\$ 421,848	\$ 104,121	\$ 456,556	\$ 5,306	\$ 319,414	\$ 372,512	\$ 1,979,100

See accompanying note to supplementary information.

**GUSTINE UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2021**

	Student Activity Fund	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Non-Major Governmental Funds
REVENUES									
LCFF sources	\$ -	\$ -	\$ -	\$ 83,546	\$ -	\$ -	\$ -	\$ -	\$ 83,546
Federal sources	-	6,101	1,035,604	-	-	-	-	-	1,041,705
Other state sources	-	119,013	49,096	-	-	1,229,997	-	-	1,398,106
Other local sources	103,681	260	2,644	494	86,118	4,465	5,578	618,205	821,445
Total Revenues	103,681	125,374	1,087,344	84,040	86,118	1,234,462	5,578	618,205	3,344,802
EXPENDITURES									
Current									
Instruction	-	51,735	-	-	-	-	-	-	51,735
Instruction-related services									
School site administration	-	141,392	-	-	-	-	-	-	141,392
Pupil services									
Food services	-	-	995,545	-	-	-	-	-	995,545
All other pupil services	-	9,281	-	-	-	-	-	-	9,281
General administration									
All other general administration	-	10,772	41,541	-	-	-	-	-	52,313
Facilities acquisition and maintenance	-	-	-	71,161	22,728	-	19,355	-	113,244
Ancillary services	127,088	-	-	-	-	-	-	-	127,088
Debt service									
Principal	-	-	-	-	-	-	-	40,000	40,000
Interest and other	-	-	-	-	-	-	-	567,730	567,730
Total Expenditures	127,088	213,180	1,037,086	71,161	22,728	-	19,355	607,730	2,098,328
Excess (Deficiency) of Revenues Over Expenditures	(23,407)	(87,806)	50,258	12,879	63,390	1,234,462	(13,777)	10,475	1,246,474
Other Financing Sources (Uses)									
Transfers in	-	101,175	71,751	-	-	-	-	-	172,926
Transfers out	-	-	-	-	-	(1,229,997)	-	-	(1,229,997)
Net Financing Sources (Uses)	-	101,175	71,751	-	-	(1,229,997)	-	-	(1,057,071)
NET CHANGE IN FUND BALANCE	(23,407)	13,369	122,009	12,879	63,390	4,465	(13,777)	10,475	189,403
Fund Balance - Beginning, as Restated	212,248	370	237,475	91,242	384,666	841	333,191	362,037	1,622,070
Fund Balance - Ending	\$ 188,841	\$ 13,739	\$ 359,484	\$ 104,121	\$ 448,056	\$ 5,306	\$ 319,414	\$ 372,512	\$ 1,811,473

See accompanying note to supplementary information.

**GUSTINE UNIFIED SCHOOL DISTRICT
 LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
 JUNE 30, 2021**

The Gustine Unified School District was unified on January 25, 1971 and consists of an area comprising approximately 224 square miles. There were no changes in the boundaries of the District during the current year. The District is operating two elementary schools, one middle school, one high school, one continuation school, and one adult school.

GOVERNING BOARD

Member	Office	Term Expires
Gary Silva	President	2022
Kevin Bloom	Clerk	2022
Kevin Cordeiro	Trustee	2024
Zachery Ramos	Trustee	2024
Loretta Rose	Trustee	2024

DISTRICT ADMINISTRATORS

Bryan Ballenger
Superintendent

Christine Ortega
Chief Business Officer

**GUSTINE UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2021**

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the 10 percent de minimis indirect cost rate.

Schedule of Instructional Time

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 of 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 Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

Combining Statements – Non-Major Funds

These statements provide information on the District's non-major funds.

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

OTHER INDEPENDENT AUDITORS' REPORTS

**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**

Independent Auditors' Report

Governing Board
Gustine Unified School District
Gustine, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gustine Unified School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Gustine Unified School District's basic financial statements, and have issued our report thereon dated January 31, 2022.

Internal Control over Financial Reporting

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

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Questioned Costs that we consider to be significant deficiencies. (Findings #2021-001 and #2021-002)

Compliance and Other Matters

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

Gustine Unified School District's Response to Findings

Gustine Unified School District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Gustine Unified 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Christy White, Inc.

San Diego, California
January 31, 2022

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**Independent Auditors' Report

Governing Board
Gustine Unified School District
Gustine, California

Report on Compliance for Each Major Federal Program

We have audited Gustine Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Gustine Unified School District's major federal programs for the year ended June 30, 2021. Gustine Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Gustine Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Gustine Unified 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 major federal program. However, our audit does not provide a legal determination of Gustine Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Gustine Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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

Christy White, Inc.

San Diego, California
January 31, 2022

REPORT ON STATE COMPLIANCEIndependent Auditors' Report

Governing Board
Gustine Unified School District
Gustine, California

Report on State Compliance

We have audited Gustine Unified School District's compliance with the types of compliance requirements described in the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810, that could have a direct and material effect on each of Gustine Unified School District's state programs for the fiscal year ended June 30, 2021, as identified below.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Gustine Unified School District's state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed by Title 5, *California Code of Regulations*, section 19810. 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 above that could have a direct and material effect on the state programs noted below occurred. An audit includes examining, on a test basis, evidence about Gustine Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the requirements referred to above. However, our audit does not provide a legal determination of Gustine Unified School District's compliance with those requirements.

Opinion on State Compliance

In our opinion, Gustine Unified School District complied, in all material respects, with the types of compliance requirements referred to above that are applicable to the state programs noted in the table below for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as Findings #2021-003 through #2021-005. Our opinion on state compliance is not modified with respect to these matters.

Gustine Unified School District’s response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Gustine Unified School District’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Procedures Performed

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

PROGRAM NAME	PROCEDURES PERFORMED
Local Education Agencies Other Than Charter Schools	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Charter Schools	
Independent Study-Course Based; for charter schools	Not Applicable
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Charter School Facility Grant Program	Not Applicable

Christy White, Inc.

San Diego, California
January 31, 2022

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**GUSTINE UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2021**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major program:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Type of auditors' report issued:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)?	<u>No</u>
Identification of major programs:	

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>21.019</u>	<u>Coronavirus Relief Fund (CRF): Learning Loss Mitigation</u>
<u>84.425, 84.425C, & 84.425D</u>	<u>Education Stabilization Fund Discretionary Grants</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**GUSTINE UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

FINDING #2021-001: ASSOCIATED STUDENT BODY (ASB) FUNDS (30000)

Criteria: Maintaining sound internal control procedures over cash receipts, cash disbursements, bank reconciliations and minutes of council meetings reduces the opportunity for irregularities to go undetected. The Fiscal Crisis & Management Assistance Team (FCMAT) Associated Student Body Accounting Manual & Desk Reference outlines proper internal control procedures for associated student body accounts to follow.

Condition: Through our testing of the school site ASB accounts, we noted the following internal control deficiencies:

Gustine High School

- There are a number of stale dated checks that have remained on the bank reconciliation. These checks are stale dated more than six months.
- One out of five cash receipts tested were lacking adequate supporting documentation to reconcile the sales to the amount deposited.

Cause: Insufficient controls over student body activities.

Effect: The potential for irregularities in accounting to go undetected.

Repeat Finding: This is a repeat finding of Finding #2020-001.

Recommendation: We recommend that all ASB bank accounts be reconciled on a monthly basis and be reviewed by someone other than the preparer of the reconciliation. In addition, cash receipts should include adequate supporting documentation and reconcile to the amount deposited. Lastly, deposits of ASB cash receipts should be done in a timely manner. The District should provide each student body account clerk with the latest FCMAT Associated Student Body Accounting Manual & Desk Reference and reinforce the importance for sound internal control procedures to be implemented.

Corrective Action Plan: The District is going through changes in the ASB. Currently the ASB clerk assigned is a previous ASB clerk and has much experience. She knows how to manage ASB. Based on last year's finding, GUSD has improved in this area. The district still has not assigned a new ASB person. The District's A/P specialist is still helping with ASB. CBO will work with ASB clerk monthly to make sure ASB is running smoothly and efficiently. Soft audits are being encouraged by clerk and CBO will check in on those audits.

**GUSTINE UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

FINDING #2021-002: ACCOUNTS PAYABLE INTERNAL CONTROLS (30000)

Criteria: Sound internal controls dictate that accounts payable accruals are short term in nature and should be cleared or reversed within one year and should be properly recorded in accordance with generally accepted accounting principles.

Condition: During testing of the accounts payable detail provided by the client, we noted prior year accounts payable balances were not cleared as of June 30, 2021.

Cause: Insufficient internal controls over balance sheet accounts.

Effect: Lack of proper internal controls can lead to accounting irregularities to go undetected and increase risk of misstatement of assets.

Repeat Finding: This is a repeat finding of Finding #2020-002.

Recommendation: We recommend the District implement procedures to ensure prior year accounts be cleared or reversed within one year and to properly record ending balances in accordance with generally accepted accounting principles.

Corrective Action Plan: The District has improved in this area with the help of MCOE and realizing the District has to ask MCOE for report 400 which cannot be run at the district level. Also, the District will need to handle the outstanding PO's in a different manner in order to avoid this finding from reoccurring.

**GUSTINE UNIFIED SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

There were no federal award findings or questioned costs for the year ended June 30, 2021.

**GUSTINE UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

FIVE DIGIT CODE

10000
40000
42000
43000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

Attendance
State Compliance
Charter School Facilities Programs
Apprenticeship: Related and Supplemental Instruction
Miscellaneous
Classroom Teacher Salaries
Local Control Accountability Plan
Instructional Materials
Teacher Misassignments
School Accountability Report Card

FINDING #2021-003: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)

Criteria: Students classified as free or reduced-price meal eligible (FRPM) and who are not directly certified on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report must have supporting documentation that indicates the student was eligible for the determination. Auditors are required to verify compliance with Education Code Section 42238.02(b)(3)(b) in Section W of the 2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.

Condition: Eleven (11) out of 60 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as FRPM did not have proper supporting documentation to justify their designation. The error rate of 11/60 or 18.3% was extrapolated to the entire population of students only classified as free or reduced. The total extrapolated error rate indicated that a total of 53 students that were incorrectly classified.

Effect: The District is not in compliance with applicable State requirements.

Cause: The District experienced turnover in positions during the previous year. In addition, the District could not locate support for this student’s classification as free or reduced on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report.

Questioned Costs: \$29,034, as calculated on the next page.

**GUSTINE UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

**FINDING #2021-003: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)
(continued)**

Questioned Costs: (continued)

Total Adjusted Enrollment from the UPP exhibit as of P-2	5,503
Total Adjusted Unduplicated Pupil Count from the UPP exhibit as of P-2	4,643
Audit Adjustment - Number of Enrollment	-
Audit Adjustment - Number of Unduplicated Pupil Count	(53)
Revised Adjusted Enrollment	5,503
Revised Adjusted Unduplicated Pupil Count	4,590
UPP calculated as of P-2	0.8437
Revised UPP for audit finding	0.8341
Charter Schools Only: Determinative School District Concentration Cap	-
Revised UPP adjusted for Concentration Cap	0.8341
Supplemental and Concentration Grant TK/K-3 ADA	508.41
Supplemental and Concentration Grant 4-6 ADA	386.77
Supplemental and Concentration Grant 7-8 ADA	281.60
Supplemental and Concentration Grant 9-12 ADA	575.43
Adjusted Base Grant per TK/K-3 ADA	\$8,503
Adjusted Base Grant per 4-6 ADA	\$7,818
Adjusted Base Grant per 7-8 ADA	\$8,050
Adjusted Base Grant per 9-12 ADA	\$9,572
Supplemental Grant Funding calculated as of P-2	\$2,551,632
Revised Supplemental Grant Funding for audit finding	\$2,522,598
Supplemental Grant Funding audit adjustment	(\$29,034)
Concentration Grant Funding calculated as of P-2	\$0
Revised Concentration Grant Funding for audit finding	\$0
Concentration Grant Funding audit adjustment	\$0
Total Supplemental and Concentration audit adjustment	(\$29,034)

Repeat Finding: This is a repeat finding of Finding #2020-003.

Recommendation: We recommend that the District maintain supporting documentation to support student classification as free or reduced on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report. Additionally, the CALPADS reporting should be revised for any students lacking supporting documentation to support their classification as free or reduced before the close of the Fall I Amendment Window.

Corrective Action Plan: The base year was 18-19 for CEP and the only new forms would be the ones from newly enrolled students. For audit we had to pull those 18-19 forms and for those few students, the forms could not be located. The District confirms with the new CBO there will be new procedures put in place to prevent students from being incorrectly classified in the future. Training for site secretaries on Aeries steps and input of student data based on forms turned in by families, assigning the Nutrition claims clerk to oversee and perform audits on student records quarterly for accuracy on information and compare with forms on file.

**GUSTINE UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

FINDING #2021-004: CALIFORNIA CLEAN ENERGY JOBS ACT (40000)

Criteria: Public Resource Code (PRC) Section 26240(b) requires an entity to submit a report of its project expenditures to the Citizens Oversight Board, not sooner than one year but no later than 15 months after an entity completes its first eligible project with a grant, loan, or other assistance from the Job Creation Fund.

Condition: Based on our review and testing for the CA Clean Energy Jobs Program, it was noted that the final expenditure report for both Gustine Elementary and Middle was not submitted within the required deadline between 12-to-15 months after the project completion date.

Effect: The District is not in compliance with PRC Section 26240(b) reporting requirements as outlined above.

Cause: Lack of adequate oversight over reporting requirements.

Questioned Costs: No questioned costs.

Repeat Finding: This is not a repeat finding.

Recommendation: The District should submit a final expenditure report to the Citizens Oversight Board for all completed CA Clean Energy Projects.

Corrective Action Plan: The District will complete the report as soon as possible for the projects.

FINDING #2021-005: COMPREHENSIVE SCHOOL SAFETY PLAN (40000)

Criteria: Pursuant to California Education Code Sections 32280 - 32289, All California public schools kindergarten and grades one through twelve must develop a comprehensive school safety plan approved by the board of directors by March 1 of the current 2018-19 school year. Additionally, if the District does not develop and approve a comprehensive school safety plan by October 15, a letter must be submitted to the State Superintendent of Public Instruction.

Condition: In testing the comprehensive school safety plans at Gustine Middle and Gustine High School, the District could not provide support that the comprehensive school safety plans were approved prior to the required deadline of March 1 for the current audit year.

Cause: Insufficient review procedures in place during the implementation process.

Effect: The School District was untimely adhering to comprehensive school safety requirements per California Education Code.

Questioned Costs: None. The District approved the Comprehensive School Safety Plans on September 8, 2021.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the District continue to provide oversight and training to staff responsible for implementing new requirements in California Education Code in a timely manner.

Corrective Action Plan: The district office will follow up by February of each year with each site to ensure they are holding the school site council meeting and approving their Comprehensive safety plan for the new year.

**GUSTINE UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

FINDING #2020-001: ASSOCIATED STUDENT BODY (ASB) FUNDS (30000)

Criteria: Maintaining sound internal control procedures over cash receipts, cash disbursements, bank reconciliations and minutes of council meetings reduces the opportunity for irregularities to go undetected. The Fiscal Crisis & Management Assistance Team (FCMAT) Associated Student Body Accounting Manual & Desk Reference outlines proper internal control procedures for associated student body accounts to follow.

Condition: Through our testing of the school site ASB accounts, we noted the following internal control deficiencies:

Gustine High School

- 2 out of 10 disbursements tested has a purchase order or requisition that was issued and approved after the invoice date.
- 4 out of 10 disbursements tested did not note evidence of receipt of goods, such as the signing off on a packing slip or noting “ok to pay” on invoice.
- Checks were written out to “cash” to establish a change fund for an event.
- 4 of 10 cash receipts tested had support documentation that did not reconcile to the deposit amount.
- 3 of 10 cash receipts were not deposited in a timely manner.

Cause: Insufficient controls over student body activities.

Effect: The potential for irregularities in accounting to go undetected.

Perspective: Testing was performed at a sample of the District’s student body accounts.

Repeat Finding: This is a repeat finding of Finding #2019-001.

Recommendation: We recommend that all ASB bank accounts be reconciled on a monthly basis and be reviewed by someone other than the preparer of the reconciliation. In addition, cash receipts should include adequate supporting documentation and reconcile to the amount deposited. Lastly, deposits of ASB cash receipts should be done in a timely manner. The District should provide each student body account clerk with the latest FCMAT Associated Student Body Accounting Manual & Desk Reference and reinforce the importance for sound internal control procedures to be implemented.

Corrective Action Plan: The District is going through changes in the ASB. Currently the ASB clerk assigned is a previous ASB clerk and has much experience. She knows how to manage ASB. CBO will work with ASB clerk monthly to make sure ASB is running smoothly and efficiently. Soft audits are being encouraged by clerk and CBO will check in on those audits.

Current Status: Not implemented see Finding #2021-001.

**GUSTINE UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

FINDING #2020-002: ACCOUNTS PAYABLE INTERNAL CONTROLS (30000)

Criteria: Sound internal controls dictate that accounts payable accruals are short term in nature and should be cleared or reversed within one year and should be properly recorded in accordance with generally accepted accounting principles.

Condition: During our testing of internal controls over accounts payable

- Per review of accounts payable detail provided by client, we noted prior year accounts payable balances were not cleared as of June 30, 2020.
- Audit adjustments were made to properly record the balance as of June 30, 2020.

Cause: Insufficient internal controls over balance sheet accounts.

Effect: Lack of proper internal controls can lead to accounting irregularities to go undetected and increase risk of misstatement of assets.

Repeat Finding: This is a repeat finding of Finding #2019-003.

Recommendation: We recommend the District implement procedures to ensure prior year accounts be cleared or reversed within one year and to properly record ending balances in accordance with generally accepted accounting principles.

Corrective Action Plan: The district's new CBO has contacted MCOE Accounting and asked them to meet with Accounts Payable clerk for training on accruals at the end of the year and the reversals or clearing of those entries. This training will begin with closing of 2020-2021.

Current Status: Not implemented, see Finding #2021-002.

**GUSTINE UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

FINDING #2020-003: UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS (40000)

Criteria: Students classified as free or reduced-price meal eligible (FRPM) and who are not directly certified on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report must have supporting documentation that indicates the student was eligible for the determination. Auditors are required to verify compliance with Education Code Section 42238.02(b)(3)(b) in Section W of the 2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.

Condition: Eleven (11) out of 60 students tested from the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report who were classified as FRPM did not have proper supporting documentation to justify their designation. The error rate of 11/60 or 18.3% was extrapolated to the entire population of students only classified as free or reduced. The total extrapolated error rate indicated that a total of 59 students that were incorrectly classified.

Effect: The District is not in compliance with applicable State requirements.

Cause: The District experienced turnover in positions during the previous year. In addition, the District could not locate support for this student's classification as free or reduced on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report.

Questioned Costs: \$111,490

Repeat Finding: This is a repeat finding of Finding #2019-005.

Recommendation: We recommend that the District maintain supporting documentation to support student classification as free or reduced on the CALPADS 1.18 FRPM/English Learner/Foster Youth – Student List Report. Additionally, the CALPADS reporting should be revised for any students lacking supporting documentation to support their classification as free or reduced before the close of the Fall I Amendment Window.

Corrective Action Plan: The District confirms with the new CBO there will be new procedures put in place to prevent students from being incorrectly classified in the future. Training for site secretaries on Aeries steps and input of student data based on forms turned in by families, assigning the Nutrition claims clerk to oversee and perform audits on student records quarterly for accuracy on information and compare with forms on file.

Current Status: Not implemented, see Finding #2021-003.

**GUSTINE UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS, continued
FOR THE YEAR ENDED JUNE 30, 2021**

FINDING #2020-004: INSTRUCTIONAL MATERIALS (70000)

Criteria: In accordance with *California Education Code Section 60119(b)*, the District must provide a 10-day notice for public hearing related to instructional materials.

Condition: In our review of documentation related to the sufficiency of textbooks and instructional materials, it was noted that the District did not provide a 10-day notice of its public hearing. The notice of public hearing was posted on September 6, 2019 for the public hearing which occurred on September 11, 2019.

Cause: Administrative oversight related to the posting of the notice of public hearing.

Effect: The District was not in compliance with the requirements related to instructional materials.

Questioned Cost: None. Based on an LEA advisory from the *California State Controller* dated October 1, 2014, the requirements are verified for compliance only and a finding does not result in disallowance of funds.

Repeat Finding: This is not a repeat finding of Finding #2019-006.

Recommendation: We recommend that the District ensure public notice is posted at least 10-days prior to the public hearing to adopt the resolution on sufficiency of textbooks and instructional materials.

Corrective Action Plan: District CBO and Administrative Assistant will work together on posting a 10-day notice for public hearing related to instructional materials.

Current Status: Implemented.