

TWIN RIDGES ELEMENTARY  
SCHOOL DISTRICT  
COUNTY OF NEVADA  
NEVADA CITY, CALIFORNIA  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2020

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

JUNE 30, 2020

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TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

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JUNE 30, 2020

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FINANCIAL SECTION



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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Twin Ridges Elementary School District  
Nevada City, California

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, major fund, and the aggregate remaining fund information of Twin Ridges Elementary School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Twin Ridges Elementary School District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major fund, and the aggregate remaining fund information of Twin Ridges Elementary School District, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, budgetary comparison information on page 49, and accounting by employer for pensions on pages 50 and 51 be presented to supplement the basic financial statements.

**Other Matters (Concluded)**

*Required Supplementary Information (Concluded)*

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Twin Ridges Elementary School District's basic financial statements. The introductory, financial, and statistical information listed as supplementary information in the table of contents is presented for purposes of additional analysis as required by the 2019-2020 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the California Education Audit Appeals Panel and is not a required part of the basic financial statements.

The introductory, financial, and statistical information listed as supplementary information in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the introductory, financial, and statistical information listed as supplementary information in the table of contents 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*, I have also issued my report dated March 2, 2021, on my consideration of Twin Ridges Elementary School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Twin Ridges Elementary School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Twin Ridges Elementary School District's internal control over financial reporting and compliance.



MICHELLE M. HANSON  
Certified Public Accountant

March 2, 2021

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

### **FINANCIAL HIGHLIGHTS**

- The COVID-19 pandemic affected our community and led us on a journey none of us thought we would experience in our lifetime. Our community and families have experienced physical, emotional, health, and financial strains. Governor Gavin Newsom issued Executive Order N-26-20, ensuring state funding for schools even in the event of physical closure. Senate Bill 117 (Chapter 3, Statutes of 2020) was signed as a companion to the executive order for the purpose of preventing losses of attendance-based funding as a result of reductions in average daily attendance (ADA) due to COVID-19. This legislation shortened the period used to calculate ADA based apportionment to include all full school months from July 1, 2019 to February 29, 2020. The District's ADA decreased by 3 from 2018-2019 to 2019-2020.
  
- On March 16, 2020 the District made the difficult decision to close schools in order to slow the spread of the COVID-19 Virus. It was the hope of the District that schools would reopen before the end of the 2019-2020 school year, however the State of California continued its Stay-At-Home Order which kept the District closed for the remainder of the school year. The Governor's Executive Order N-26-20 provided continued funding to support schools during the period of closure. General Fund expenditures exceeded revenues by \$513 thousand, ending the year with available reserves of \$584 thousand. The decrease was similar to that estimated when the budget was originally adopted primarily because salaries were required to be continued during the school closures and there were emergency maintenance projects completed, resulting in no savings.

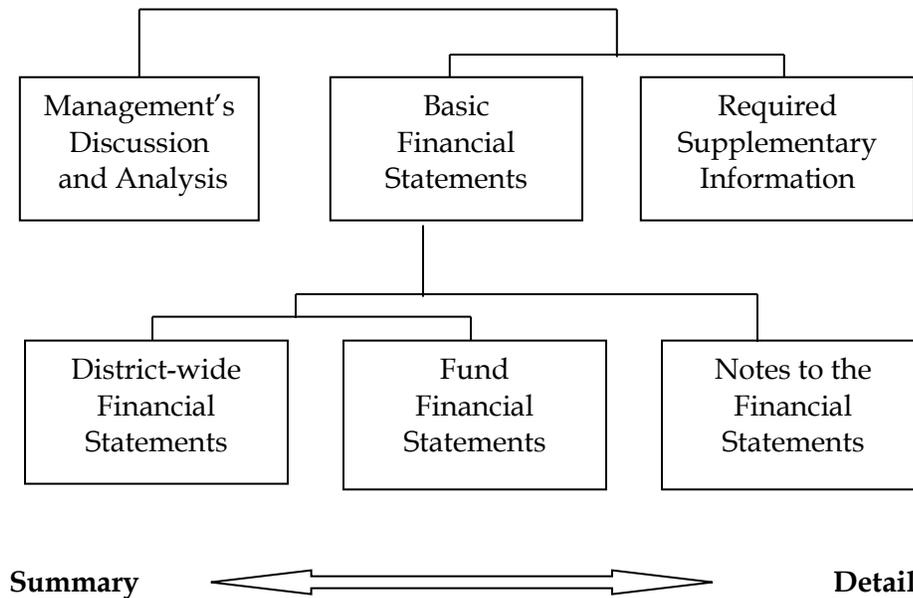
TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Components of the Financial Section**



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

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

**Components of the Financial Section (Concluded)**

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

**Reporting the School District as a Whole**

*Statement of Net Position and the Statement of Activities*

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

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

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

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

*Fund Financial Statements*

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

◆ Governmental Funds

Most of the District's activities are reported in governmental funds. The only major governmental fund of the District is the General Fund. Governmental funds focus on how money flows into and out of the funds and the balances that remain at the end of the year. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations and services that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

◆ Fiduciary Funds

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

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

The District's net position was \$4.6 million at June 30, 2020. Of this amount \$2.6 million is unrestricted. A comparative analysis of government-wide data is presented in Table 1.

**Comparative Statement of Net Position  
Table 1**

	Governmental Activities	
	2020	2019
<b>ASSETS</b>		
Cash and investments	\$ 4,545,410	\$ 4,962,548
Receivables	182,200	107,878
Prepaid expenditures	4,244	795
Capital assets	1,584,467	1,578,505
Total assets	6,316,321	6,649,726
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows on pensions	580,532	463,890
<b>LIABILITIES</b>		
Accounts payable and other current liabilities	434,708	227,122
Unearned revenue	3,508	44,022
Long-term liabilities	1,727,926	1,513,605
Total liabilities	2,166,142	1,784,749
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows on pensions	171,283	251,238
<b>NET POSITION</b>		
Net investment in capital assets	1,584,467	1,578,505
Restricted	352,227	365,155
Unrestricted	2,622,734	3,133,969
Total net position	\$ 4,559,428	\$ 5,077,629

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

The District's net position decreased \$518 thousand this fiscal year compared to a decrease of \$275 thousand for 2018-2019. Another way to look at the change in net position is to compare revenues and expenditures for the two fiscal years. As you can see in Table 2 below, revenues for the two years differ by \$4 thousand, decreasing in 2019-2020. Expenditures in 2019-2020 are \$247 thousand more than those in 2018-2019.

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

	Governmental Activities	
	2020	2019
<b>REVENUES</b>		
Program revenues	\$ 446,717	\$ 439,718
General revenues		
Taxes levied for general purposes	1,194,317	1,145,810
Federal and State aid not restricted to specific purposes	51,205	134,321
Interest and investment earnings	136,500	125,217
Miscellaneous	40,903	20,620
Total revenues	<u>1,869,642</u>	<u>1,865,686</u>
<b>EXPENSES</b>		
Instruction	1,015,652	868,162
Instruction related services	164,976	195,109
Pupil support services	237,818	253,168
General administration	326,393	271,241
Plant services	343,700	308,225
Other	299,304	245,025
Total expenses	<u>2,387,843</u>	<u>2,140,930</u>
Decrease in net position	<u>\$ (518,201)</u>	<u>\$ (275,244)</u>

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

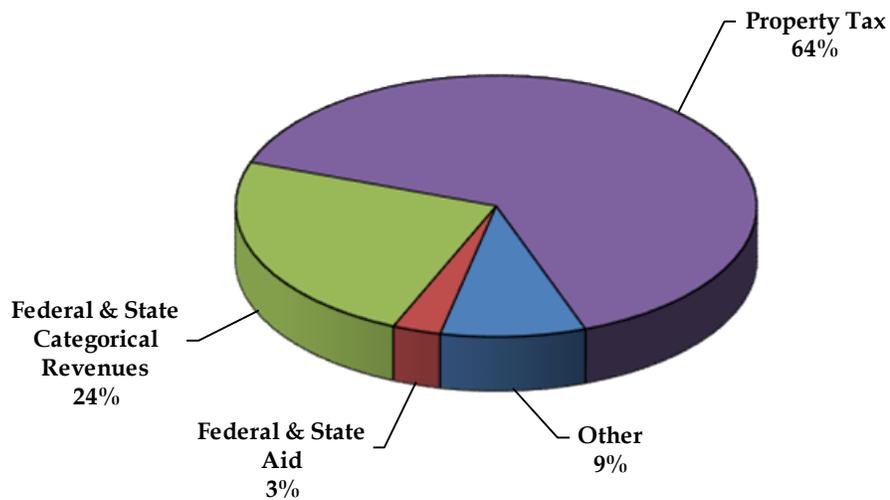
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**FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONCLUDED)**

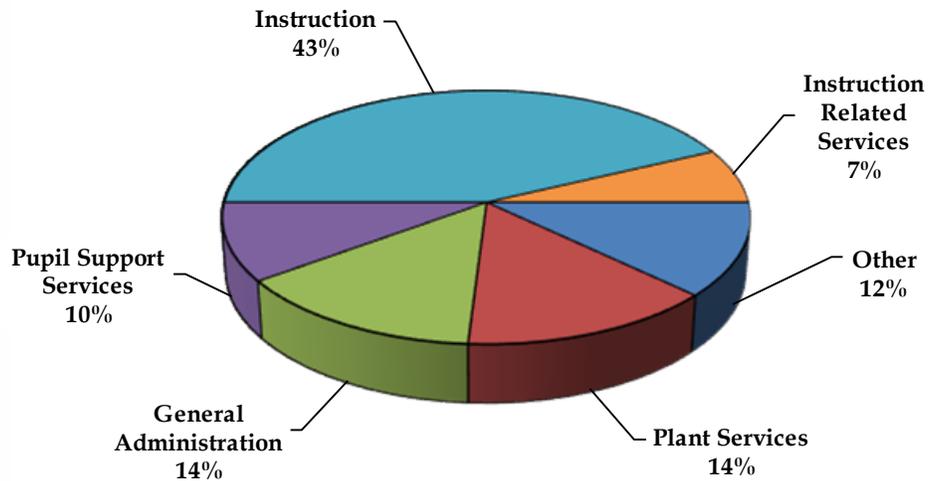
**Governmental Activities**

As reported in the Statement of Activities, the cost of all of the District's governmental activities this year was \$2.4 million. (See Figure 2 below) Federal and State aid not restricted to specific purposes of \$51 thousand, Federal and State Categoricals of \$435 thousand and Property Taxes of \$1.2 million represent the major portions of revenue to fund this year's governmental activities. (See Figure 1 below)

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



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



TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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## **FINANCIAL ANALYSIS OF THE FUND STATEMENTS**

The fund financial statements focus on individual parts of the District's operations in more detail than the government-wide statements. The District's individual fund statements provide information on inflows and outflows and balances of spendable resources. The District's Governmental Funds reported a combined fund balance of \$4.3 million a decrease of \$500 thousand from the previous fiscal year's combined ending balance of \$4.8 million.

### **General Fund Budgetary Highlights**

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

- ◆ Budget revisions to the adopted budget required after approval of the State budget.
- ◆ Budget revisions to update revenues to actual enrollment information and to update expenditures for staffing adjustments related to actual enrollments during the interim financial reporting processes.
- ◆ Other budget revisions are routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories for school and department budgets.

The District's final budget projected to end the year with a decrease of \$508 thousand in the General Fund ending balance.

The District ended the year with \$4.0 million in the General Fund ending balance, of which \$580 thousand is considered the available reserve. The State recommends a minimum ending available reserve of 5% of total expenditures and other outgo (\$119 thousand) or \$71 thousand, whichever is greater. The District's available reserve for 2019-2020 was 24.5%.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

By the end of the 2019-2020 fiscal year, the District had invested \$4.4 million in a broad range of capital assets, including school buildings, site improvements, vehicles, and equipment (\$1.6 million net of depreciation). Capital assets are depreciated over a set number of years based on the life of the capital asset.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

**Capital Assets (Concluded)**

**Comparative Schedule of Capital Assets  
(net of depreciation)  
June 30, 2020 and 2019  
Table 3**

	2020	2019	Difference Increase (Decrease)
Land	\$ 80,850	\$ 80,850	
Site Improvements	651,425	629,930	\$ 21,495
Buildings	769,698	792,185	(22,487)
Machinery and Equipment	82,494	75,540	6,954
Totals	\$ 1,584,467	\$ 1,578,505	\$ 5,962

The District completed connectivity/cabling and sport court projects, installed security cameras, and purchased a copier. Depreciation expense was \$133 thousand.

**Long-Term Debt**

At June 30, 2020, the District had \$1.7 million in long-term debt outstanding.

**Comparative Schedule of Outstanding Debt  
June 30, 2020 and 2019  
Table 4**

	2020	2019
Net Pension Liability	\$ 1,727,926	\$ 1,513,605

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

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

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the District Superintendent, Melissa Madigan, at (530) 265-9052.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2020

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash (Note 2)	\$ 2,225,246
Investments (Note 2)	2,320,164
Accounts Receivable (Note 3)	182,200
Prepaid Expenses (Note 1G)	4,244
Capital Assets, Net of Depreciation (Note 5)	<u>1,584,467</u>
Total Assets	<u>6,316,321</u>
<b>DEFERRED OUTFLOWS OF RESOURCES (NOTE 1G)</b>	
Deferred Outflows on Pensions (Note 7)	<u>580,532</u>
<b>LIABILITIES</b>	
Accounts Payable and Other Current Liabilities	434,708
Unearned Revenue (Note 1G)	3,508
Net Pension Liability (Note 6 and Note 7)	<u>1,727,926</u>
Total Liabilities	<u>2,166,142</u>
<b>DEFERRED INFLOWS OF RESOURCES (NOTE 1G)</b>	
Deferred Inflows on Pensions (Note 7)	<u>171,283</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	1,584,467
Restricted For:	
Capital Projects	299,543
Education Programs	36,415
Other Purposes (Expendable)	16,269
Unrestricted	<u>2,622,734</u>
Total Net Position	<u>\$ 4,559,428</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<u>Governmental Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in Net</u>
			<u>Contributions</u>	<u>Position</u>
				<u>Governmental</u>
				<u>Activities</u>
Instruction	\$ 1,015,652		\$ 236,443	\$ (779,209)
Instruction-Related Services:				
Instructional Library, Media and Technology	15,041		2,000	(13,041)
School Site Administration	149,935	\$ 88	1,547	(148,300)
Pupil Services:				
Home-To-School Transportation	74,043		3,554	(70,489)
Food Services	104,155	107	38,759	(65,289)
All Other Pupil Services	59,620		51,143	(8,477)
General Administration:				
Data Processing	7,409			(7,409)
All Other General Administration	318,984	639	34,944	(283,401)
Plant Services	343,700	10,503		(333,197)
Ancillary Services	2,289	280	75	(1,934)
Community Services	66,326		32,332	(33,994)
Other Outgo	103,539		34,303	(69,236)
Depreciation (unallocated)	127,150			(127,150)
<b>Total Governmental Activities</b>	<b>\$ 2,387,843</b>	<b>\$ 11,617</b>	<b>\$ 435,100</b>	<b>(1,941,126)</b>
General Revenues:				
Property Taxes Levied For:				
General Purposes				
				1,194,317
Federal and State Aid Not Restricted to Specific Purposes				
				51,205
Interest and Investment Earnings				
				136,500
Miscellaneous				
				40,903
<b>Total General Revenues</b>				
				<b>1,422,925</b>
Change (Decrease) in Net Position				
				(518,201)
Net Position Beginning				
				5,077,629
Net Position Ending				
				<b>\$ 4,559,428</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash (Note 2)	\$ 1,998,474	\$ 226,772	\$ 2,225,246
Investments (Note 2)	2,320,164		2,320,164
Accounts Receivable (Note 3)	176,487	5,713	182,200
Due From Other Funds (Note 4)	5,233	88,560	93,793
Prepaid Expenditures (Note 1G)	<u>4,244</u>		<u>4,244</u>
Total Assets	<u>\$ 4,504,602</u>	<u>\$ 321,045</u>	<u>\$ 4,825,647</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$ 434,708		\$ 434,708
Unearned Revenue (Note 1G)	3,508		3,508
Due to Other Funds (Note 4)	<u>88,560</u>	<u>\$ 5,233</u>	<u>93,793</u>
Total Liabilities	<u>526,776</u>	<u>5,233</u>	<u>532,009</u>
Fund Balances (Note 1G):			
Nonspendable	7,244	1,000	8,244
Restricted	36,415	314,812	351,227
Committed	3,285,629		3,285,629
Assigned	64,120		64,120
Unassigned	<u>584,418</u>		<u>584,418</u>
Total Fund Balances	<u>3,977,826</u>	<u>315,812</u>	<u>4,293,638</u>
Total Liabilities and Fund Balances	<u>\$ 4,504,602</u>	<u>\$ 321,045</u>	<u>\$ 4,825,647</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

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

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Total fund balance - governmental funds	\$	4,293,638
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Amounts reported for governmental activities in the statement of net position are different because:

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

	\$	
Capital assets, at historical cost	4,284,326	
Accumulated depreciation	<u>(2,699,859)</u>	
Net		1,584,467

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

Net pension liability	(1,727,926)
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In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.

	\$	
Deferred outflows of resources relating to pensions	580,532	
Deferred inflows of resources relating to pensions	<u>(171,283)</u>	
Net		<u>409,249</u>

Total net position - governmental activities	\$	<u><u>4,559,428</u></u>
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

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

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Local Control Funding Formula Sources			
State Apportionments	\$ 322,727		\$ 322,727
Local Sources	<u>882,954</u>		<u>882,954</u>
Total Local Control Funding Formula Sources	1,205,681		1,205,681
Federal Revenue	265,190	\$ 34,754	299,944
Other State Revenue	143,076	2,859	145,935
Other Local Revenue	<u>257,619</u>	<u>16,770</u>	<u>274,389</u>
Total Revenues	<u>1,871,566</u>	<u>54,383</u>	<u>1,925,949</u>
<b>EXPENDITURES</b>			
Certificated Salaries	607,724		607,724
Classified Salaries	473,315	51,209	524,524
Employee Benefits	501,492	19,463	520,955
Books and Supplies	101,280	29,228	130,508
Services and Other Operating Expenditures	404,009	8,017	412,026
Capital Outlay	133,112		133,112
Other Outgo	<u>98,306</u>	<u>5,233</u>	<u>103,539</u>
Total Expenditures	<u>2,319,238</u>	<u>113,150</u>	<u>2,432,388</u>
Excess of Revenues Over (Under) Expenditures	<u>(447,672)</u>	<u>(58,767)</u>	<u>(506,439)</u>
Other Financing Sources (Uses):			
Operating Transfers In (Note 4)		65,000	65,000
Operating Transfers Out (Note 4)	<u>(65,000)</u>		<u>(65,000)</u>
Total Other Financing Sources (Uses)	<u>(65,000)</u>	<u>65,000</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(512,672)	6,233	(506,439)
Fund Balances - July 01, 2019	<u>4,490,498</u>	<u>309,579</u>	<u>4,800,077</u>
Fund Balances - June 30, 2020	<u>\$ 3,977,826</u>	<u>\$ 315,812</u>	<u>\$ 4,293,638</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

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

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Net change (decrease) in fund balances - total governmental funds \$ (506,439)

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

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

Expenditures for capital outlay	\$ 133,112	
Depreciation expense	<u>(127,150)</u>	
Net		5,962

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

(17,724)

Total change (decrease) in net position - governmental activities \$ (518,201)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2020

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	<u>Agency Fund</u> <u>Student Body</u> <u>Account</u>
<b>ASSETS</b>	
Cash (Note 2)	<u>\$ 6,121</u>
Total Assets	<u>\$ 6,121</u>
<b>LIABILITIES</b>	
Due to Student Groups	<u>\$ 6,121</u>
Total Liabilities	<u>\$ 6,121</u>
Total Net Position	<u>\$ 0</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District and its component units.

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

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

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Concluded)

Fund Financial Statements:

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

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

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

C. Basis of Accounting

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

Revenues - exchange and non-exchange transactions:

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

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

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

Revenues - exchange and non-exchange transactions (Concluded):

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

Unearned revenue:

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

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. Expenditures incurred in the unrestricted resources shall be reduced first from the committed resources, then from assigned resources and lastly, the unassigned resources.

D. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Concluded)

District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The District reports the following major funds:

General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The District accounted for the Special Reserve Fund for Other Than Capital Outlay Projects separately, but the fund has been included with the General Fund to comply with GASB 54.

Additionally, the District reports the following fund type:

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

E. Budgets and Budgetary Accounting

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

These budgets are revised by the District's Board of Trustees and District Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund as required supplementary information in the financial statements.

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

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. 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.

G. Assets, Liabilities and Equity

1. Deposits and Investments

Cash balances held in commercial bank accounts are insured to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC).

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the County Treasury and in an investment portfolio.

The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investments losses are proportionately shared by all funds in the pool.

The county and District are authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the county and District either are secured by federal depository insurance or are collateralized.

Investments Valuation - In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 72, *Fair Value Measurement and Application*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

2. Prepaid Expenditures

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

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities and Equity (Continued)

3. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received.

Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over an estimated useful life of 5 to 50 years depending on the asset class.

4. Deferred Outflows/Inflows of Resources

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

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

5. Unearned Revenue

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

6. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the California State Teachers Retirement Plan (STRP) and the CalPERS Schools Pool Cost-Sharing Multiple Employer Plan (PERF B) and additions to/deductions from STRP and PERF B fiduciary net positions have been determined on the same basis as they are reported separately by CalSTRS and CalPERS.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities and Equity (Continued)

6. Pensions (Concluded)

For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

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

7. Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. District employees either use their vacation time or are paid out the balance prior to June 30 of each year.

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

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities and Equity (Continued)

8. Net Position

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

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

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

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

9. Use of Restricted/Unrestricted Net Position

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

10. Fund Equity

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

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

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

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

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

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

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities and Equity (Continued)

10. Fund Equity (Continued)

Fund Balances:

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

	General Fund	Other Governmental Funds	Total
Nonspendable:			
Revolving Fund	\$ 3,000	\$ 1,000	\$ 4,000
Prepaid Expenditures	4,244		4,244
Total Nonspendable Fund Balance	<u>7,244</u>	<u>1,000</u>	<u>8,244</u>
Restricted For:			
Legally Restricted Categorical Funding	36,415		36,415
Cafeteria Program Operations		15,269	15,269
Purposes Specified in Government Code Section 65970-65981		142,730	142,730
Capital Project Expenditures		156,813	156,813
Total Restricted Fund Balance	<u>36,415</u>	<u>314,812</u>	<u>351,227</u>
Committed For:			
Investments Outside County Treasury	3,078,933		3,078,933
Common Core Curriculum	30,000		30,000
Technology Upgrades	50,000		50,000
Deferred Maintenance	126,696		126,696
Total Committed Fund Balance	<u>3,285,629</u>		<u>3,285,629</u>
Assigned For:			
Program Carryover	64,120		64,120
Total Assigned Fund Balance	<u>64,120</u>	<u>0</u>	<u>64,120</u>
Unassigned:			
Reserve for Economic Uncertainties	558,205		558,205
Other Unassigned	26,213		26,213
Total Unassigned Fund Balance	<u>584,418</u>	<u>0</u>	<u>584,418</u>
Total Fund Balances	<u>\$ 3,977,826</u>	<u>\$ 315,812</u>	<u>\$ 4,293,638</u>

Fund Balance Policy:

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

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities and Equity (Continued)

10. Fund Equity (Concluded)

Fund Balance Policy (Concluded):

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

The District has adopted a policy to achieve and maintain unrestricted fund balance in the General Fund of 5% of total General Fund expenditures, other uses and transfers out at the close of each fiscal year, consistent with the recommended level promulgated by the State of California. Additional detailed information, along with the complete *Fund Balance Policy* can be obtained from the District.

11. Local Control Funding Formula/Property Tax

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

The County is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding January 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (January 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local control funding formula sources by the District.

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

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

G. Assets, Liabilities and Equity (Concluded)

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

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

H. Impact of Recently Issued Accounting Pronouncements

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

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

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

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

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - CASH AND INVESTMENTS

A. Summary of Cash and Investments

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

<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
<u>\$2,225,246</u>	<u>\$6,121</u>	<u>\$2,231,367</u>

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

	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Credit Quality Rating</u>	
<u>Cash</u>				
Cash in Commercial Bank	\$ 6,471	\$ 6,471		
Cash in Revolving Fund	4,000	4,000		
Cash with Fiscal Agent	758,769	758,769		
Cash in County Treasury	1,498,524	1,462,127		
Total Cash	<u>2,267,764</u>	<u>2,231,367</u>		
<u>Investments</u>				
			<u>Moody's</u>	<u>S&amp;P</u>
Alabama Power Company	59,433	59,433	A1	A-
BB&T Corporation	60,772	60,772	A3	A-
Berkshire Hathaway	60,241	60,241	Aa2	AA
EXXON Mobil Corporation	70,804	70,804	Aa1	AA
FNMA Remic Series	89,669	89,669	Not Rated	Not Rated
Fannie Mae Pool	354,644	354,644	Not Rated	Not Rated
Honeywell International Inc.	51,334	51,334	A2	A
Johnson & Johnson	62,870	62,870	Aaa	AAA
Northern States Power Company	29,351	29,351	Aa3	A
Northern Trust Corporation	57,601	57,601	A2	A+
Proctor & Gamble Company	53,683	53,683	Aa3	AA-
U.S. Bancorp Mtn ISIN	48,459	48,459	A1	AA-
US Treasury Notes	1,321,303	1,321,303	Aaa	Not Rated
Total Investments	<u>2,320,164</u>	<u>2,320,164</u>		
Total Cash and Investments	<u>\$ 4,587,928</u>	<u>\$ 4,551,531</u>		

B. Policies and Practices

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

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

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

B. Policies and Practices (Continued)

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

Cash in Commercial Banks

Cash balances held in commercial bank accounts are insured to \$250,000 by the Federal Deposit Insurance Corporation. These amounts are held within various financial institutions. As of June 30, 2020, the carrying amount of the District's accounts was \$10,471, all of which, was insured.

Cash in County Treasury

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

Cash with Fiscal Agent

All or part of the Special Reserve Fund for Other Than Capital Outlay of the Twin Ridges Elementary School District, or any surplus monies not required for the immediate necessities of the District, may be invested as allowed by law for public funds according to an investment program approved by the Twin Ridges Elementary School District's Board of Trustees in accordance with California Education Code § 41015 and California Government Code §§ 16430, 53601-53609, and 53635. As of June 30, 2020, the carrying amount of the District's accounts was \$758,769. Of this amount, \$602,058, the amount held in a money market account, was not insured. The District has not experienced any losses in this account.

Investments

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

B. Policies and Practices (Concluded)

Investments (Concluded)

The District's investments of \$2,320,164 are valued using quoted market prices (Level 1 inputs) on a recurring basis as of June 30, 2020.

C. Risk Disclosures

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

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Pool and having the pool purchase a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>		
		<u>Less than 1</u>	<u>1 to 4</u>	<u>More than 4</u>
County Treasury	\$ 1,498,524	\$ 673,137	\$ 662,048	\$ 163,339
Cash with Fiscal Agent	758,769	758,769		
Alabama Power Company	59,433	59,433		
BB&T Corporation	60,772	60,772		
Berkshire Hathaway	60,241	60,241		
EXXON Mobil Corporation	70,804	70,804		
FNMA Remic Trust	89,669		89,669	
Fannie Mae Pool	354,644	108,548	246,096	
Honeywell International Inc.	51,334	51,334		
Johnson & Johnson	62,870		62,870	
Northern States Power Company	29,351		29,351	
Northern Trust Corporation	57,601	57,601		
Proctor & Gamble	53,683		53,683	
U.S. Bancorp Mtn ISIN	48,459	48,459		
US Treasury Notes	1,321,303	150,693	1,170,610	
Total	\$ 4,577,457	\$ 2,099,791	\$ 2,314,327	\$ 163,339

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 2 - CASH AND INVESTMENTS (CONCLUDED)

C. Risk Disclosures (Concluded)

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

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

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

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

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

NOTE 3 - ACCOUNTS RECEIVABLE

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

	General Fund	Other Governmental Funds	Total
Federal Government			
Categorical Aid Programs	\$ 122,940		\$ 122,940
State Government			
Local Control Funding Formula	26,363		26,363
Categorical Aid Programs	4,594		4,594
Lottery	5,064		5,064
Total State Government	36,021		36,021
Local Government	14,220	\$ 5,713	19,933
Interest	162		162
Miscellaneous	3,144		3,144
Total Accounts Receivable	<u>\$ 176,487</u>	<u>\$ 5,713</u>	<u>\$ 182,200</u>

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 4 - INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transactions among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Interfund Receivables/Payables (Due From/Due To)

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

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Governmental Funds:		
General Fund	\$ 5,233	\$ 88,560
Non-Major Governmental Funds:		
Cafeteria Fund	15,256	5,233
Capital Facilities Fund	<u>73,304</u>	<u>          </u>
Total	<u>\$ 93,793</u>	<u>\$ 93,793</u>

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. As of June 30, 2020, interfund transfers were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund		\$ 65,000
Non-Major Governmental Funds:		
Cafeteria Fund	<u>\$ 65,000</u>	<u>          </u>
Total	<u>\$ 65,000</u>	<u>\$ 65,000</u>

The District transferred \$65,000 from the General Fund to the Cafeteria Fund to support program operations and provide positive cash flow.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2020, is shown below:

	Balance July 01, 2019	Additions	Deductions	Balance June 30, 2020
Capital assets, not being depreciated:				
Land	\$ 80,850			\$ 80,850
Total capital assets, not being depreciated	<u>80,850</u>			<u>80,850</u>
Capital assets being depreciated:				
Buildings	2,711,578	\$ 40,859		2,752,437
Improvements of sites	1,168,760	73,304	\$ 66,023	1,176,041
Equipment	256,049	18,949		274,998
Total capital assets, being depreciated	<u>4,136,387</u>	<u>133,112</u>	<u>66,023</u>	<u>4,203,476</u>
Less accumulated depreciation for:				
Buildings	1,919,393	63,346		1,982,739
Improvements of sites	538,830	51,809	66,023	524,616
Equipment	180,509	11,995		192,504
Total accumulated depreciation	<u>2,638,732</u>	<u>127,150</u>	<u>66,023</u>	<u>2,699,859</u>
Total capital assets, being depreciated, net	<u>1,497,655</u>	<u>5,962</u>	<u>0</u>	<u>1,503,617</u>
Governmental activities capital assets, net	<u>\$ 1,578,505</u>	<u>\$ 5,962</u>	<u>\$ 0</u>	<u>\$ 1,584,467</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:

Unallocated	<u>\$ 127,150</u>
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NOTE 6 - LONG-TERM DEBT

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

	Balance July 01, 2019	Additions	Deductions	Balance June 30, 2020	Due Within One Year
Net Pension Liability	<u>\$ 1,513,605</u>	<u>\$ 214,321</u>	<u>\$</u>	<u>\$ 1,727,926</u>	<u>\$ 0</u>

All payments will be made from the General Fund.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 7 - EMPLOYEE RETIREMENT SYSTEMS

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

<u>Pension Plan</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows Related to Pensions</u>	<u>Deferred Inflows Related to Pensions</u>	<u>Pension Expense</u>
CalSTRS	\$ 920,200	\$ 311,285	\$ 159,052	\$ 110,327
CalPERS	<u>807,726</u>	<u>269,247</u>	<u>12,231</u>	<u>97,520</u>
Totals	<u>\$ 1,727,926</u>	<u>\$ 580,532</u>	<u>\$ 171,283</u>	<u>\$ 207,847</u>

A. California State Teachers' Retirement System (CalSTRS)

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

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

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 7 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

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

The actuarial methods and assumptions used for determining the rates are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2018-2019 was 16.28% and for fiscal year 2019-2020 was 17.10% of annual payroll, reduced pursuant to the supplemental payments to CalSTRS provided by the State of California's Budget Act of 2019. The required State contribution rate for fiscal year 2018-2019 was 9.828% and for fiscal year 2019-2020 the rate was 10.328%. The Twin Ridges Elementary School District's contributions to CalSTRS for the fiscal years ending June 30, 2020 and 2019 were \$79,800 and \$90,375, respectively, and equal 100% of the required contributions for each year.

Contribution by District	\$ 79,800
Contribution by State	<u>70,041</u>
Total Contribution in 2019-2020	<u>\$ 149,841</u>

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2020, the District reported a liability of \$920,200 for its proportionate share of the net pension liability for the STRP. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's and the State of California's (non-employer contributing entity) long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State of California, actuarially determined. At June 30, 2019, the District's proportion of contributions was 0.0010 percent, an increase of 0.00012 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$110,327 which included the State's required on-behalf contribution of \$70,041.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 7 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued).* At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred Outflows and Inflows of Resources:		
Difference between expected and actual experience	\$ 2,323	\$ 25,930
Changes in assumptions	116,385	
Net difference between projected and actual earnings on pension plan investments		35,446
Changes in proportion and differences between District contributions and proportionate share of contributions	112,777	97,676
District contributions subsequent to measurement date of June 30, 2019	<u>79,800</u>	
Totals	<u>\$ 311,285</u>	<u>\$ 159,052</u>

The \$79,800 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources related to pensions and deferred inflows of resources related to pension will be recognized as increases or decreases respectively in pension expense as follows:

	<u>Outflows</u>	<u>Inflows</u>
June 30, 2020	\$ 53,226	\$ 37,616
June 30, 2021	53,224	62,225
June 30, 2022	46,633	32,120
June 30, 2023	46,662	21,502
June 30, 2024	16,963	2,901
June 30, 2025	14,777	2,688
Total	<u>\$ 231,485</u>	<u>\$ 159,052</u>

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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NOTE 7 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

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

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

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

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

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.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 7 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

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

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

\* 20-year geometric average

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

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

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 7 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

*Discount Rate (Concluded).*

<u>Discount Rate</u>	<u>Net Pension Liability of Employers</u>
3% Decrease (4.10%)	\$ 2,587,984
2% Decrease (5.10%)	\$ 1,917,875
1% Decrease (6.10%)	\$ 1,370,254
Current Discount Rate (7.10%)	\$ 920,200
1% Increase (8.10%)	\$ 547,020
2% Increase (9.10%)	\$ 234,961
3% Increase (10.10%)	\$ (27,153)

B. California Public Employees Retirement System (CalPERS)

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

*Contributions.* The benefits for the defined benefit pension plan are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the employee's date of hire. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with an additional amount to finance any unfunded accrued liability. The Twin Ridges Elementary School District is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees. The required employer contribution rates on applicable annual payroll for the fiscal years ending June 30, 2020 and 2019 were 19.721% and 18.062%, respectively. The Twin Ridges Elementary School District's employer contributions to CalPERS for the fiscal years ending June 30, 2020 and 2019 were \$110,323 and \$69,343, respectively and equal 100% of the required contributions for each year. The employer contribution rate for 2019-2020 was reduced by 1.012% from the 20.733% previously adopted due to Government Code section 20825.2(a).

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 7 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

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

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2020, the District reported a liability of \$807,726 for its proportionate share of the net pension liability for the PERF B. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the state, actuarially determined. At June 30, 2019, the District's proportion of contributions was 0.0028 percent, an increase of 0.00018 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$97,520. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred Outflows and Inflows of Resources:		
Difference between expected and actual experience	\$ 58,673	
Changes in assumptions	38,450	
Net difference between projected and actual earnings on pension plan investments		\$ 7,492
Changes in proportion and differences between District contributions and proportionate share of contributions	61,801	4,739
District contributions subsequent to measurement date of June 30, 2019	<u>110,323</u>	
Totals	<u>\$ 269,247</u>	<u>\$ 12,231</u>

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 7 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded).* The \$110,323 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the PERF B pensions will be recognized as increases or decreases respectively in pension expense as follows:

	<u>Outflows</u>	<u>Inflows</u>
June 30, 2021	\$ 89,802	\$ 11,369
June 30, 2022	49,667	(14,007)
June 30, 2023	18,510	(2,238)
June 30, 2024	945	17,107
Total	<u>\$ 158,924</u>	<u>\$ 12,231</u>

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

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

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

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

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 7 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

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

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

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

<u>Discount Rate</u>	<u>Plan's Net Pension Liability</u>
1% Decrease (6.15%)	\$ 1,164,284
Current Discount Rate (7.15%)	\$ 807,726
1% Increase (8.15%)	\$ 511,937

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

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

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

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

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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NOTE 7 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

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

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

C. Social Security

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

NOTE 8 - COMMITMENTS AND CONTINGENCIES

A. Litigation

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

B. State and Federal Allowances, Awards and Grants

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

C. Joint Ventures

The District participates in a joint venture under a joint powers agreement (JPA) with the Schools Insurance Group (SIG).

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

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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NOTE 8 - COMMITMENTS AND CONTINGENCIES (CONCLUDED)

C. Joint Ventures (Concluded)

The following is a summary of financial information for SIG at June 30, 2020:

Total assets	\$ 111,774,531
Total deferred outflows of resources	\$ 288,284
Total liabilities	\$ 41,450,340
Total deferred inflows of resources	\$ 73,223
Net position	\$ 70,539,252
Total revenues	\$ 98,672,583
Total expenditures	\$ 94,629,709
Change in net position	\$ 4,042,874

The relationship between the District and the Joint Power Authority is such that the Authority is not a component unit of the District for financial reporting purposes.

NOTE 9 - OPERATING LEASES

The District has entered into office equipment leases that extend beyond the current fiscal year. The District does not intend to buy-out the equipment at the end of the lease and historically has turned in the old equipment for new. The following is a schedule by year of minimum future rentals on the non-cancelable operating leases as of June 30, 2020:

<u>Year Ended</u> <u>June 30</u>	<u>Future</u> <u>Minimum</u> <u>Rent Payments</u>
2021	\$ 5,280
2022	5,280
2023	<u>4,172</u>
Total	<u>\$ 14,732</u>

The District paid \$5,280 for related rents in 2019-2020. The District will receive no sublease rentals nor pay any contingent rentals for this equipment.

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2020, the District contracted with Schools Insurance Group, JPA (SIG) for property and liability insurance coverage and also for theft insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant change in coverage from the prior year.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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NOTE 10 - RISK MANAGEMENT (CONCLUDED)

B. Workers' Compensation

For fiscal year 2019-2020, the District participated in the Schools Insurance Group, JPA (SIG), an insurance purchasing pool. The intent of the SIG pool is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the SIG pool. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the SIG pool. Each participant pays its workers' compensation premium based on its individual rate.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the SIG pool. Participation in the SIG pool is limited to districts that can meet the SIG pool selection criteria.

NOTE 11 - STUDENT ACTIVITY FUND

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

NOTE 12 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 2, 2021, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

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

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Local Control Funding Formula Sources:				
State Apportionments	\$ 338,032	\$ 338,266	\$ 322,727	\$ (15,539)
Local Sources	915,779	891,222	882,954	(8,268)
Total Local Control Funding Formula Sources	1,253,811	1,229,488	1,205,681	(23,807)
Federal Revenue	305,343	304,949	265,190	(39,759)
Other State Revenue	102,375	183,562	143,076	(40,486)
Other Local Revenue	198,513	208,325	257,619	49,294
Total Revenues	1,860,042	1,926,324	1,871,566	(54,758)
<b>EXPENDITURES</b>				
Certificated Salaries	632,840	618,518	607,724	10,794
Classified Salaries	420,799	493,135	473,315	19,820
Employee Benefits	487,506	578,294	501,492	76,802
Books and Supplies	161,770	119,013	101,280	17,733
Services and Other Operating Expenditures	452,288	450,603	404,009	46,594
Capital Outlay	5,000	9,000	133,112	(124,112)
Other Outgo	60,000	100,532	98,306	2,226
Total Expenditures	2,220,203	2,369,095	2,319,238	49,857
Excess of Revenues Over (Under) Expenditures	(360,161)	(442,771)	(447,672)	(4,901)
Other Financing Sources (Uses): Operating Transfers Out	(65,000)	(65,000)	(65,000)	0
Excess of Revenues Over (Under) Expenditures and Other Uses	(425,161)	(507,771)	(512,672)	(4,901)
Fund Balances - July 01, 2019	4,287,640	4,490,498	4,490,498	0
Fund Balances - June 30, 2020	\$ 3,862,479	\$ 3,982,727	\$ 3,977,826	\$ (4,901)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	State's Proportionate Share of the NPL Associated with District	Total NPL Attributed to District	District's Covered-Employee Payroll	District's Proportionate Share of the NPL as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2020	0.0010%	\$ 920,200	\$ 502,034	\$ 1,422,234	\$ 555,129	166%	73%
2019	0.0009%	\$ 822,118	\$ 470,704	\$ 1,292,822	\$ 480,922	171%	71%
2018	0.0009%	\$ 810,365	\$ 479,408	\$ 1,289,773	\$ 461,216	176%	70%
2017	0.0010%	\$ 818,561	\$ 466,061	\$ 1,284,622	\$ 501,678	163%	70%
2016	0.0011%	\$ 715,901	\$ 416,339	\$ 1,132,240	\$ 494,403	145%	74%
2015	0.0010%	\$ 584,370	\$ 357,858	\$ 942,228	\$ 460,909	127%	77%

**Public Employee Retirement System (CalPERS)**

Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	District's Covered-Employee Payroll	District's Proportionate Share of the NPL as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2020	0.0028%	\$ 807,726	\$ 383,917	210%	70%
2019	0.0026%	\$ 691,487	\$ 346,668	200%	71%
2018	0.0032%	\$ 759,357	\$ 403,391	188%	72%
2017	0.0029%	\$ 579,708	\$ 352,401	165%	74%
2016	0.0029%	\$ 433,744	\$ 326,141	133%	79%
2015	0.0032%	\$ 363,278	\$ 335,724	108%	83%

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

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

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

Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 79,800	\$ (79,800)	\$ 0	\$ 466,667	17.10%
2019	\$ 90,375	\$ (90,375)	\$ 0	\$ 555,129	16.28%
2018	\$ 69,397	\$ (69,397)	\$ 0	\$ 480,922	14.43%
2017	\$ 58,021	\$ (58,021)	\$ 0	\$ 461,216	12.58%
2016	\$ 53,830	\$ (53,830)	\$ 0	\$ 501,678	10.73%
2015	\$ 43,903	\$ (43,903)	\$ 0	\$ 494,403	8.88%

**Public Employee Retirement System (CalPERS)**

Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2020	\$ 110,323	\$ (110,323)	\$ 0	\$ 559,419	19.72%
2019	\$ 69,343	\$ (69,343)	\$ 0	\$ 383,917	18.06%
2018	\$ 53,841	\$ (53,841)	\$ 0	\$ 346,668	15.53%
2017	\$ 56,023	\$ (56,023)	\$ 0	\$ 403,391	13.89%
2016	\$ 41,749	\$ (41,749)	\$ 0	\$ 352,401	11.85%
2015	\$ 38,390	\$ (38,390)	\$ 0	\$ 326,141	11.77%

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 1 - PURPOSE OF SCHEDULES

A. Budgetary Comparison Schedule

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

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

<u>Fund</u>	<u>Excess Expenditures</u>
Major Governmental Funds:	
General Fund	
Capital Outlay	\$ 124,112
Non-Major Governmental Funds:	
Cafeteria Fund	
Other Outgo	\$ 5,233

The District budgeted for the sport court expenditures in the Capital Facilities Fund and incurred other unanticipated emergency capital projects that were also not included in the revised budget.

The District did not revise the final budget in the Cafeteria Fund to include indirect costs charged at year end.

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

These schedules present information on the District's portion of the Net Pension Liability of CalSTRS and the Net Pension Liability of CalPERS in compliance with GASB 68. The amounts presented for each fiscal year were determined as of the measurement date that occurred one year prior. These will be 10-year schedules. Years will be added to these schedules in future fiscal years until 10 years of information is available.

C. Schedules of District Contributions

These schedules provide information about the District's required and actual contributions to CalSTRS and CalPERS during the year. These will be 10-year schedules. Years will be added to these schedules in future fiscal years until 10 years of information is available.

SUPPLEMENTARY INFORMATION SECTION

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NEVADA CITY, CALIFORNIA

JUNE 30, 2020

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ORGANIZATION

Twin Ridges Elementary School District is located in Nevada County and was established in 1986 by a merger of San Juan Ridge Union Elementary School District and Washington Elementary School District. There were no changes in the boundaries of the District during the current year. At June 30, 2020, the District was operating two traditional elementary schools.

BOARD OF TRUSTEES

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Mindi Morton	President	December 2022
Rachel Kozloski	Clerk	December 2020
Malik Goodman	Member	December 2022
Hilary Hulteen	Member	December 2022
Lorien Whitestone	Member	December 2020

ADMINISTRATION

Melissa Madigan  
Superintendent/Principal

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
 SCHEDULE OF AVERAGE DAILY ATTENDANCE  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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	<u>Second Period Report D899B981</u>	<u>Annual Report 57680662</u>
Regular ADA		
Transitional Kindergarten through Third	35	35
Fourth through Sixth	34	34
Seventh and Eighth	<u>18</u>	<u>18</u>
ADA Totals	<u><u>87</u></u>	<u><u>87</u></u>

SEE NOTES TO SUPPLEMENTARY INFORMATION

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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Grade Level	Minutes Requirement	2019-2020 Actual Minutes Offered or Waived	Minutes Credited Via COVID-19 School Closure Certification	2019-2020 Adjusted Minutes	2019-2020 Actual Days Offered or Waived	Days Credited Via COVID-19 School Closure Certification	2019-2020 Adjusted Days	Status
TK	36,000	29,350	13,450	42,800	124	56	180	In Compliance
Kindergarten	36,000	35,225	16,435	51,660	124	56	180	In Compliance
Grade 1	50,400	36,590	17,110	53,700	124	56	180	In Compliance
Grade 2	50,400	36,590	17,110	53,700	124	56	180	In Compliance
Grade 3	50,400	36,590	17,110	53,700	124	56	180	In Compliance
Grade 4	54,000	36,590	17,110	53,700	124	56	180	Not Compliant
Grade 5	54,000	36,590	17,110	53,700	124	56	180	Not Compliant
Grade 6	54,000	36,590	17,110	53,700	124	56	180	Not Compliant
Grade 7	54,000	36,590	17,110	53,700	124	56	180	Not Compliant
Grade 8	54,000	36,590	17,110	53,700	124	56	180	Not Compliant

SEE NOTES TO SUPPLEMENTARY INFORMATION

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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There are no charter schools sponsored by the Twin Ridges Elementary School District.

SEE NOTES TO SUPPLEMENTARY INFORMATION

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT  
WITH AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>General Fund</u>	<u>Special Reserve Fund for Other Than Capital Outlay Projects</u>	<u>Capital Facilities Fund</u>
June 30,2020, Annual Unaudited Actual Financial Report Fund Balance	\$ 924,306	\$ 3,126,824	\$ 69,426
Adjustments and Reclassifications Increasing (Decreasing) the Fund Balance:			
(Under)Overstatement of Capital Outlay	(73,304)		73,304
To conform with GAAP, activity reported separately by the District in certain Special Revenue Funds is reported in the General Fund in these financial statements.	<u>3,126,824</u>	<u>(3,126,824)</u>	
Net Adjustments and Reclassifications	<u>3,053,520</u>	<u>(3,126,824)</u>	<u>73,304</u>
June 30,2020, Audited Financial Statement Fund Balance	<u>\$ 3,977,826</u>	<u>\$ 0</u>	<u>\$ 142,730</u>

Auditor's Comments

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

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

	Budget 2020-2021	2019-2020	2018-2019	2017-2018
<u>General Fund</u>				
Revenues and Other Financial Sources	\$ 1,689,614	\$ 1,871,566	\$ 1,824,952	\$ 1,661,622
Expenditures	1,967,453	2,319,238	1,936,104	1,807,284
Other Uses and Transfers Out	65,000	65,000	50,000	50,000
Total Outgo	2,032,453	2,384,238	1,986,104	1,857,284
Change in Fund Balance (Decrease)	(342,839)	(512,672)	(161,152)	(195,662)
Ending Fund Balance	\$ 3,624,888	\$ 3,977,826	\$ 4,490,498	\$ 4,651,650
Available Reserves	\$ 881,133	\$ 584,418	\$ 1,187,544	\$ 1,434,986
Reserve for Economic Uncertainties	\$ 743,009	\$ 558,205	\$ 653,088	\$ 940,355
Unassigned Fund Balance	\$ 138,124	\$ 26,213	\$ 534,456	\$ 494,631
Available Reserves as a Percentage of Total Outgo	43.4%	24.5%	59.8%	77.3%
Total Long-Term Debt	\$ 1,727,926	\$ 1,727,926	\$ 1,513,605	\$ 1,569,722
Average Daily Attendance at P-2	87	87	90	86

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.

The General Fund balance has decreased \$869,486 during the past three years. Average daily attendance has increased 1 ADA during the past two years. For a District this size, the state recommends available reserves of at least 5% (\$119,212) of total expenditures, transfers out and other uses (total outgo) or \$71,000, whichever is greater. Available reserves consist of all unassigned fund balances contained within the General Fund.

The District's long-term debt obligations for its proportionate share of the unfunded STRS and PERS liability has increased \$158,204 over the last two years.

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

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2020

	Cafeteria Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Total Non-Major Governmental Funds
<b>ASSETS</b>					
Cash	\$ 6,246	\$ 155,501	\$ 63,713	\$ 1,312	\$ 226,772
Accounts Receivable			5,713		5,713
Due From Other Funds	<u>15,256</u>		<u>73,304</u>		<u>88,560</u>
Total Assets	<u>\$ 21,502</u>	<u>\$ 155,501</u>	<u>\$ 142,730</u>	<u>\$ 1,312</u>	<u>\$ 321,045</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Due to Other Funds					<u>\$ 5,233</u>
Fund Balances:					
Nonspendable	1,000				1,000
Restricted	<u>15,269</u>	<u>\$ 155,501</u>	<u>\$ 142,730</u>	<u>\$ 1,312</u>	<u>314,812</u>
Total Fund Balances	<u>16,269</u>	<u>155,501</u>	<u>142,730</u>	<u>1,312</u>	<u>315,812</u>
Total Liabilities and Fund Balances	<u>\$ 21,502</u>	<u>\$ 155,501</u>	<u>\$ 142,730</u>	<u>\$ 1,312</u>	<u>\$ 321,045</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

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

	Cafeteria Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Total Non-Major Governmental Funds
<b>REVENUES</b>					
Federal Revenue	\$ 34,754				\$ 34,754
Other State Revenue	2,859				2,859
Other Local Revenue	626	\$ 2,892	\$ 13,228	\$ 24	16,770
<b>Total Revenues</b>	<b>38,239</b>	<b>2,892</b>	<b>13,228</b>	<b>24</b>	<b>54,383</b>
<b>EXPENDITURES</b>					
Classified Salaries	51,209				51,209
Employee Benefits	19,463				19,463
Books and Supplies	29,228				29,228
Services and Other Operating Expenditures	2,314		5,703		8,017
Other Outgo	5,233				5,233
<b>Total Expenditures</b>	<b>107,447</b>	<b>0</b>	<b>5,703</b>	<b>0</b>	<b>113,150</b>
Excess of Revenues Over (Under) Expenditures	(69,208)	2,892	7,525	24	(58,767)
Other Financing Sources Operating Transfers In	65,000				65,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(4,208)	2,892	7,525	24	6,233
Fund Balances - July 01, 2019	20,477	152,609	135,205	1,288	309,579
Fund Balances - June 30, 2020	<u>\$ 16,269</u>	<u>\$ 155,501</u>	<u>\$ 142,730</u>	<u>\$ 1,312</u>	<u>\$ 315,812</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

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

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	<u>Beginning Balances</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balances</u>
<u>Student Body Account</u>				
<b>ASSETS</b>				
Cash	\$ <u>6,118</u>	\$ <u>3</u>	\$ <u>0</u>	\$ <u>6,121</u>
<b>LIABILITIES</b>				
Due to Student Groups	\$ <u>6,118</u>	\$ <u>3</u>	\$ <u>0</u>	\$ <u>6,121</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT

NOTES TO SUPPLEMENTARY INFORMATION

JUNE 30, 2020

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NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Schedule of Average Daily Attendance

Average daily attendance is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of state funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs. Senate Bill 117 (Chapter 3, Statutes of 2020) shortened the periods used to calculate average daily attendance-based apportionment to include all full school months from July 1, 2019 to February 29, 2020.

B. Schedule of Instructional Time

This schedule presents information on the amount of instructional time and number of days offered by the District and whether the District complied with the provisions of *Education Code* Sections 46207 and 46208, respectively. On December 3, 2020 the District certified each school was closed due to COVID-19 from March 16, 2020 to June 9, 2020 for a total of 56 instructional days. The District also received approval for its request for four emergency closure days for each school. These actions allow the school closure days to be used to meet the instructional time requirements noted above.

C. Schedule of Charter Schools

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

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

This schedule provides the information necessary to reconcile the fund balances of all funds as reported on the Unaudited Actual Financial Report to the audited financial statements.

E. Schedule of Financial Trends and Analysis

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

F. Combining Statements and Individual Fund Schedules

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

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION



Certified Public Accountant

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

Board of Trustees  
Twin Ridges Elementary School District  
Nevada City, California

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, major fund, and the aggregate remaining fund information of Twin Ridges Elementary School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Twin Ridges Elementary School District's basic financial statements, and have issued my report thereon dated March 2, 2021.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Twin Ridges Elementary 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Twin Ridges Elementary School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Twin Ridges Elementary School District's internal control.

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. I did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as items 2020-001, 2020-002, 2020-003 and 2020-004 that I consider to be material weaknesses.

### **Compliance and Other Matters**

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

### **Twin Ridges Elementary School District's Responses to Findings**

Twin Ridges Elementary School District's responses to the findings identified in my audit are described in the schedule of findings and questioned costs. Twin Ridges Elementary School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly I express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



MICHELLE M. HANSON  
Certified Public Accountant

March 2, 2021



Certified Public Accountant

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

Board of Trustees  
Twin Ridges Elementary School District  
Nevada City, California

I have audited Twin Ridges Elementary School District’s compliance with the types of compliance requirements described in the *2019-2020 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* that could have a direct and material effect on each of Twin Ridges Elementary School District’s State government programs as noted below for the year ended June 30, 2020.

**Management’s Responsibility**

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

**Auditor’s Responsibility**

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

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

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

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

<u>Description</u>	<u>Procedures Performed</u>
<b>Local Education Agencies Other Than Charter Schools (Concluded):</b>	
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort (MOE)	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
<b>School Districts, County Office of Education and Charter Schools:</b>	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	Not Applicable
<b>Charter Schools:</b>	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Non-Classroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Non-Classroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

Procedures were not performed for Classroom Teacher Salaries because the District had fewer than 101 units of average daily attendance during the preceding fiscal year and is exempt from the requirements under *Education Code* Section 41372(b).

Procedures were not performed on the items marked “Not Applicable” because the District does not operate those programs.

**Basis for Qualified Opinion on Instructional Time**

As described in the accompanying schedule of findings and questioned costs as Finding 2020-005, Twin Ridges Elementary School District did not comply with requirements regarding Instructional Time. Compliance with such requirements is necessary, in my opinion for Twin Ridges Elementary School District to comply with the requirements applicable to that program.

**Qualified Opinion on Instructional Time**

In my opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Twin Ridges Elementary School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2020.

**Unmodified Opinion on Each of the Other State Government Programs**

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

**Other Matters**

The results of my auditing procedures disclosed instances of noncompliance, which is required to be reported in accordance with the *2019-2020 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* and which are described in the accompanying schedule of findings and questioned costs as items 2020-006 and 2020-007. My opinion on State government programs is not modified with respect to these matters.

**Twin Ridges Elementary School District's Responses to Findings**

Twin Ridges Elementary School District's responses to the findings identified in my audit are described in the schedule of findings and questioned costs. Twin Ridges Elementary School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly I express no opinion on them.

**Purpose of this Report**

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



MICHELLE M. HANSON  
Certified Public Accountant

March 2, 2021

## FINDINGS AND QUESTIONED COSTS SECTION

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

JUNE 30, 2020

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**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: Unmodified

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

Noncompliance material to financial  
statements noted?  Yes  No

*State Awards*

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

Type of auditor's report issued on compliance  
for state programs: Qualified\*

\*Unmodified for all programs except for the following  
program which was qualified:

Name of Program:  
Instructional Time

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

JUNE 30, 2020

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**Section II - Financial Statements Findings**

2020-001 - PURCHASES AND CASH DISBURSEMENTS - 30000

Criteria: Sound accounting practices require the retention of all documentation for support of District expenditures including:

1. documented approval by an authorized District employee occurring prior to the purchase being made,
2. itemized invoice from the vendor, and
3. confirmation goods and services were received, inspected and conform to District use.

Statement of Condition: During testing of internal controls over purchases and cash disbursements, it was noted there is inconsistent evidence retained showing purchases were approved by an authorized employee prior to being made. Payments were made to individuals and for charges on credit card without an invoice to support the payment. Additionally, there is no uniform practice on how the receipt of goods and services should be documented, specifically the employee receiving the goods is not signing to indicate a count has been conducted and whether or not the order was complete.

Cause: District staffing shortages and changes appear to have resulted in these procedures being bypassed.

Effect or Potential Effect: Lack of proper prior authorization and documentation of the authorization for purchases limits management's control over expenditures and creates an environment where unauthorized disbursements may be made and not detected. Insufficient controls over the documentation supporting the items being purchased and receiving function could result in the District paying for goods and services not received.

Questioned Costs: The conditions referred to above were the result of tests of an attribute of the control system. There are no questioned costs associated with this finding.

Recommendation: To improve internal controls, the tone must be set at the top, with expectations established, communicated, implemented, monitored, and corrected if not followed. The procedures should require:

1. all District expenditures to be supported by documentation (purchase requisition, contract, MOU, Governing Board approval, etc.) prepared, approved, and dated in advance of the purchase or services being provided,
2. prohibit any payment from being made without an itemized invoice containing complete vendor information,
3. an accountable process documenting receipt of goods and/or verifying services provided by an appropriate District employee.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

JUNE 30, 2020

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**Section II - Financial Statements Findings (Continued)**

2020-001 - PURCHASES AND CASH DISBURSEMENTS - 30000 (CONCLUDED)

Corrective Action: The administrative team has created a shared, communicated and monitored process where the expectations for staff is as follows:

- Employees will prepare, have approval and date in advance of items being purchased or services being provided. This completed purchase order will be turned in to the designated administrative assistant.
- All purchase orders will have an itemized list of items and all relevant vendor information before turning in to designated administrative assistant.
- A designated administrative assistant will receive all packages delivered to our District, compare packing list with actual items on hand (noting differences) and will document this process with initials and date.
- No payments will be processed without an invoice and documentation showing the goods or services were received.

2020-002 - CASH RECEIPTS - 30000

Criteria: Sound accounting practices require the implementation of sufficient policies and procedures (internal controls) to not only protect assets, but also individuals handling the assets. Internal controls include segregating duties so that one person is not handling a transaction from beginning to end, systems of checks and balances, asset security, etc.

Statement of Condition: During testing of the internal controls over cash receipts it was noted there were payments (cash and checks) received by District employees more than one month prior to being deposited to the bank account, with only three deposits being made from the beginning of the year through March 30, 2020: September 13, 2019 for \$3,375.30, December 15, 2019 for \$42,899.34 and March 30, 2020 for \$27,911.25.

Cause: There does not appear to be sufficient cash control procedures in place, establishing an appropriate frequency in which deposits must be made. This was a finding in the 2017-2018 school year also.

Effect or Potential Effect: The retention of cash receipts on site limits management's control over funds received and facilitates an environment where misappropriation of assets may occur and go undetected. Additionally, the risk of funds not being available when presented to the bank increases the longer the check is held resulting in the returned check expense and the possibility the transaction will become uncollectible.

Questioned Costs: The conditions referred to above were the result of tests of an attribute of the control system. There are no questioned costs associated with this finding.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

JUNE 30, 2020

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**Section II - Financial Statements Findings (Continued)**

2020-002 - CASH RECEIPTS - 30000 (CONCLUDED)

Recommendation: To ensure District assets are protected, money received by any District employee should be kept in the safe in the District Office. Deposits to the bank for a District of this size should never be made less frequently than once a month.

Corrective Action: The District has put in place a bi-monthly routine scheduling of depositing money in the bank, if necessary. In addition, the District has put in place a two-person verification when putting cash in our safe.

2020-003 - JOURNAL ENTRY PROCESSING - 30000

Criteria: Proper internal accounting controls include segregation of duties requiring journal entries be reviewed by someone other than the person creating the entry, knowledgeable about accounting principles prior to entry to the general ledger.

Statement of Condition: Journal entries are created and posted without a review by a second person.

Cause: District staffing changes appear to have resulted in these procedures being overlooked.

Effect or Potential Effect: Without a review of each entry, there is an increased risk an inappropriate entry may be recorded to the District's general ledger either by mistake or intentionally, and not be detected by a District employee performing their regular duties.

Questioned Costs: The condition referred to above was the result of our testing of an attribute of the control system. There are no questioned costs.

Recommendation: Procedures for processing journal entries should be revised to strengthen internal controls by implementing the documented review of each journal entry.

Corrective Action: All journal entries will be double checked by the Superintendent on a regularly scheduled timeline.

2020-004 - RECONCILIATION OF BANK ACCOUNTS - 30000

Criteria: Sound accounting practices require bank statements to be reconciled on a timely basis to the District records with differences promptly resolved. Additionally, the Revolving Account should be balanced to the imprest balance each time it is replenished and the Clearing Account should be balanced to the imprest balance each time a check is written. The reconciliations should be completed within two weeks after the statement arrives and forwarded for review so the process may be completed prior to the next statement being received.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

JUNE 30, 2020

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**Section II - Financial Statements Findings (Concluded)**

2020-004 - RECONCILIATION OF BANK ACCOUNTS - 30000 (CONCLUDED)

Statement of Condition: During my audit of District accounts held at the local commercial bank (revolving, clearing and associated student body) I determined cash balances reported on bank statements were not reconciled to the District records during any month in the 2019-2020 fiscal year.

Cause: District staffing shortages and changes appear to have resulted in these procedures being overlooked.

Effect or Potential Effect: Without proper monthly reconciliations, errors may occur and not be detected and corrected by a District employee performing his/her regular duties. This deficiency in internal control limits management's control over assets and facilitates an environment where misappropriation of assets may go undetected.

Questioned Costs: The condition referred to above was the result of our testing of an attribute of the control system. There are no questioned costs.

Recommendation: There should be monthly reconciliations performed of the bank statement and the District records, with differences promptly resolved to provide accountability for all transactions within the accounts. There should also be a reconciliation between the current balance and the stated imprest balance each time the revolving account is reimbursed and each time a transfer is made from the clearing account.

Corrective Action: The District has implemented monthly reconciliations of bank statements and District records and will have them reviewed by someone other than the preparer.

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

2020-005 - INSTRUCTIONAL TIME - 40000

Criteria: As a condition of apportionment, pursuant to California Education Code Section 46207(a), each school district shall for each fiscal year, offer at a minimum, 54,000 minutes of instruction for pupils in grades 4-8.

Statement of Condition: During the testing of the District's compliance with instructional time requirements, it was determined the District only offered 53,700 minutes, less than the required 54,000.

Cause: The District was unable to show evidence its bell schedule and/or calendar had been changed in January, 2020 when the deficiency in instructional minutes for 2018-2019 was identified and it was apparent the same schedule was being used in 2019-2020.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

JUNE 30, 2020

**Section III - State Award Findings and Questioned Costs (Continued)**

2020-005 - INSTRUCTIONAL TIME - 40000 (CONCLUDED)

Effect or Potential Effect: The District is subject to a penalty for not offering the required number of instructional minutes. The penalty is the product of total apportionment for the affected grade span multiplied by the percentage of instructional time the District failed to offer.

Questioned Costs:

Affected Grade Span	4-6	7-8
Derived Value of ADA	\$10,477	\$10,788
Number of Required Minutes	54,000	54,000
Number of Minutes Short	300	300
Percentage of Minutes Not Offered	.56%	.56%
Affected LCFF Apportionment	\$358,837	\$194,076
Instructional Time Penalty	\$2,009	\$1,087

Recommendation: This finding is being repeated. The District should increase the number of minutes offered to at least 54,000 for students in grades 4-8 to be compliant in 2021-2022 and forward.

Corrective Action: The District office administration now creates the overall school bell schedule with lunch and recess minutes accounted for. This process allows for verification of minutes for Board approval and publishing to parents. The additional minutes required in 2021-2022 and 2022-2023 will be factored into the above schedule.

2020-006 - ATTENDANCE - 10000

Criteria: Pursuant to *California Education Code* Section 44809 and *California Code of Regulations, Title 5, Section 401*, each school district must develop and maintain accurate and adequate attendance records to support the attendance reported to the State. The classroom teacher or instructional aide (who was an eye-witness of each pupil's presence or absence) is required to sign and date the attendance register to create a valid contemporaneous record.

Statement of Condition: The District was unable to provide timely signed reports of attendance for the teachers at Grizzly Hill Elementary.

Cause: District staffing shortages and changes appear to have resulted in these procedures being overlooked.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

JUNE 30, 2020

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**Section III - State Award Findings and Questioned Costs (Continued)**

2020-006 - ATTENDANCE - 10000 (CONCLUDED)

Effect or Potential Effect: Signing the attendance rosters identifies the District employee taking responsibility for the claimed attendance. If the rosters are not signed in a timely manner, the contemporaneous record of attendance is incomplete and could result in the loss of apportionment funding.

Questioned Costs: Based on other procedures performed, including review of the manual attendance records maintained by each teacher (unsigned), I am satisfied attendance was properly recorded and there are no questioned costs as a result of this finding.

Recommendation: The teachers should sign and date their manual attendance records weekly when they are turned into the District Office for entry into the attendance system. The attendance clerk should track the receipt of all weekly classroom attendance rosters to ensure compliance.

Corrective Action: Weekly attendance records will be turned in to an administrative assistant. The administrative assistant, upon receiving the reports, will check for signatures. Signatures will be documented on a checklist for verification purposes.

2020-007 - SCHOOL ACCOUNTABILITY REPORT CARD - 72000

Criteria: *California Education Code* Section 35256(c) requires the governing board of each school district to issue a School Accountability Report Card for each school in the school district, publicize those reports, and notify parents or guardians of pupils that a hard copy will be provided upon request. The SARC is to be completed annually and made available on or before February 1 of each year. Pursuant to *California Education Code* Section 33126(b)(8), the SARC shall include assessment of the safety, cleanliness and adequacy of school facilities including any needed maintenance to ensure good repair. The Office of Public School Construction (OPSC) Facility Inspection Tool (FIT) or a locally developed instrument that meets the same legal requirements must be utilized during annual inspections to determine if a school facility is in "good repair" and to rate the facility accordingly.

Statement of Condition: The District was unable to demonstrate that management had completed a FIT to assess District facilities during the 2019-2020 school year.

Cause: The District has not maintained adequate records to demonstrate compliance with the *Education Code* Section 33126(b)(8).

Effect of Potential Effect: There is no direct financial impact with this finding, however the District is not in compliance with *Education Code* Section 33126(b)(8).

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

JUNE 30, 2020

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**Section III - State Award Findings and Questioned Costs (Concluded)**

2020-007 - SCHOOL ACCOUNTABILITY REPORT CARD - 72000 (CONCLUDED)

Questioned Costs: This is a finding of non-compliance with no associated questioned costs.

Recommendation: The District should establish a process to ensure management assesses the safety, cleanliness and adequacy of school facilities using the FIT designed by OPSC.

Corrective Action: The District completed the 2020-2021 FIT in the 2020-2021 SARC. The District now has this inspection on the yearly to-do calendar.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

JUNE 30, 2020

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2019-001: Individuals holding designated positions shall file their statements of economic interests with the Clerk of the Board of Nevada County, which will make the statements available for public inspection and reproduction.

Current Status:

Accepted/Implemented\*

\*one member encountered difficulties but the 2019-2020 form was complete by the time the audit was issued.

2019-002: The District should establish processes and procedures to ensure the financial records are adjusted, finalized, and approved by the Governing Board in the appropriate form (unaudited actuals) on or before September 15 for the preceding fiscal year to comply with the EC section applicable to the District and to provide the County Superintendent of Schools with sufficient time to complete a thorough review by October 15.

Current Status:

Accepted/Implemented

2019-003: The District should increase the number of minutes offered to students in grades 4-8 to at least 54,000 per year to be compliant in 2019-2020 and forward. A waiver should be completed for the two emergency days to relieve the penalty for not offering sufficient instructional days and this will also reduce the number of instructional minutes short to 150.

Current Status:

Accepted/Not Implemented

See finding 2020-005

The District did apply and receive approval for the two emergency days in 2018/2019. This reduced the number of instructional minutes short from 670 to 150.

2019-004: At the start of each school year, the District establishes the four-week attendance months for reporting attendance during the up-coming year. The District should review the settings of its attendance reporting system for each site, and also consider preparing a manual calculation at least initially to ensure the information has been correctly entered and reporting results are accurate and as expected.

Current Status:

Accepted/Implemented

2019-005: The District should establish a process to ensure management assesses the safety, cleanliness and adequacy of school facilities using the FIT designed by OPSC. In addition, management should prepare and publish a SARC for each school site annually and timely.

TWIN RIDGES ELEMENTARY SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

JUNE 30, 2020

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Current Status:

Accepted/Not Implemented

See Finding 2020-007

2019-006: The District should establish a process to ensure each school has a compliant comprehensive school safety plan that is reviewed each year and updated when necessary.

Current Status:

Accepted/Implemented

2019-007: The District should submit the final project completion report of its project expenditures and other required elements as soon as possible.

Current Status:

Accepted/Implemented

2019-008: The District should adopt an early release policy for the After School Education and Safety Program (ASES) and develop improved attendance policies and procedures immediately. For monitoring purposes, the attendance accounting system should track compliance with the early release policy and list the person picking up the student, ensuring the safety of the students and allowing for accurate attendance documentation to prevent future noncompliance issues.

Current Status:

Accepted/Implemented