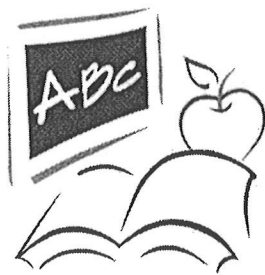


FARMERSVILLE UNIFIED SCHOOL DISTRICT

AUDIT REPORT

JUNE 30, 2023



Farmersville
Unified School District

FARMERSVILLE UNIFIED SCHOOL DISTRICT
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JUNE 30, 2023

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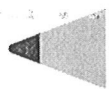
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FINANCIAL SECTION



CHRISTY WHITE

Certified Public Accountants serving
K-12 School Districts and Charter
Schools throughout California

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Independent Auditors' Report

Governing Board
Farmersville Unified School District
Farmersville, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Farmersville Unified School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Farmersville Unified School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Farmersville Unified School District, as of June 30, 2023, and the respective changes in financial position and, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Farmersville Unified School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Farmersville Unified School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

348 Olive Street
San Diego, CA
92103

O: 619-270-8222
F: 619-260-9085
christywhite.com

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Farmersville Unified School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Farmersville Unified School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Farmersville Unified School District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2023 on our consideration of the Farmersville Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Farmersville Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Farmersville Unified School District's internal control over financial reporting and compliance.



San Diego, California
November 30, 2023

FARMERSVILLE UNIFIED SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

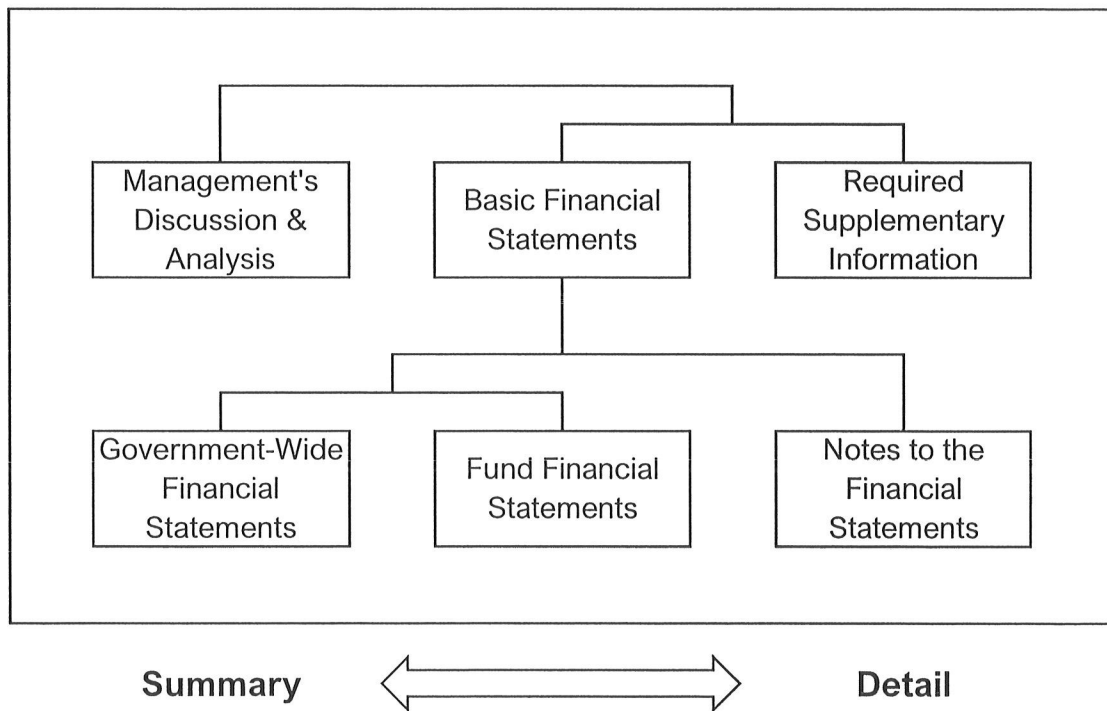
Our discussion and analysis of Farmersville Unified School District's (District) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2023. It should be read in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position was \$26,692,945 at June 30, 2023. This was an increase \$8,250,900 from the prior year, after restatement.
- Overall revenues were \$64,113,130 which exceeded expenses of \$55,862,230.

OVERVIEW OF FINANCIAL STATEMENTS

Components of the Financial Section



**FARMERSVILLE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

OVERVIEW OF FINANCIAL STATEMENTS (continued)

Components of the Financial Section (continued)

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

- **Government-wide financial statements**, which comprise the first two statements, provide both short-term and long-term information about the entity's overall financial position.
- **Fund financial statements** focus on reporting the individual parts of District operations in more detail. The fund financial statements comprise the remaining statements.
 - **Governmental Funds** provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

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

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

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

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

**FARMERSVILLE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE

Net Position

The District's net position was \$26,692,945 at June 30, 2023, as reflected in the table below. Of this amount, \$(17,512,279) was unrestricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing Board's ability to use that net position for day-to-day operations.

	Governmental Activities		
	2023	2022	Net Change
ASSETS			
Current and other assets	\$ 40,056,219	\$ 26,591,867	\$ 13,464,352
Capital assets	34,569,918	39,880,304	(5,310,386)
Total Assets	74,626,137	66,472,171	8,153,966
DEFERRED OUTFLOWS OF RESOURCES	16,718,350	8,407,874	8,310,476
LIABILITIES			
Current liabilities	7,350,063	6,111,718	1,238,345
Long-term liabilities	52,053,274	34,702,143	17,351,131
Total Liabilities	59,403,337	40,813,861	18,589,476
DEFERRED INFLOWS OF RESOURCES	5,248,205	15,759,500	(10,511,295)
NET POSITION			
Net investment in capital assets	24,619,026	29,764,697	(5,145,671)
Restricted	19,586,198	7,134,479	12,451,719
Unrestricted	(17,512,279)	(18,592,492)	1,080,213
Total Net Position	\$ 26,692,945	\$ 18,306,684	\$ 8,386,261

**FARMERSVILLE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position

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

	Governmental Activities		
	2023	2022	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 443,990	\$ 219,019	\$ 224,971
Operating grants and contributions	24,761,607	13,446,877	11,314,730
Capital grants and contributions	1,582,344	(47,574)	1,629,918
General revenues			
Property taxes	2,159,788	2,067,336	92,452
Unrestricted federal and state aid	34,672,728	30,674,634	3,998,094
Other	492,673	775,640	(282,967)
Total Revenues	64,113,130	47,135,932	16,977,198
EXPENSES			
Instruction	26,939,997	22,801,099	4,138,898
Instruction-related services	7,701,477	5,362,305	2,339,172
Pupil services	7,989,773	5,401,187	2,588,586
General administration	4,924,295	3,544,897	1,379,398
Plant services	5,954,706	4,299,743	1,654,963
Ancillary and community services	1,280,688	1,072,918	207,770
Debt service	547,680	477,075	70,605
Other outgo	523,614	377,151	146,463
Total Expenses	55,862,230	43,336,375	12,525,855
Change in net position	8,250,900	3,799,557	4,451,343
Net Position - Beginning, as Restated	18,442,045	14,507,127	3,934,918
Net Position - Ending	\$ 26,692,945	\$ 18,306,684	\$ 8,386,261

The cost of all our governmental activities this year was \$55,862,230 (refer to the table above). The amount that our taxpayers ultimately financed for these activities through taxes was only \$2,159,788 because a portion of the cost was paid by other governments and organizations who subsidized certain programs with grants and contributions.

**FARMERSVILLE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

FINANCIAL ANALYSIS OF THE ENTITY AS A WHOLE (continued)

Changes in Net Position (continued)

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

	Net Cost of Services	
	2023	2022
Instruction	\$ 9,238,036	\$ 14,045,943
Instruction-related services	5,933,079	3,777,547
Pupil services	3,734,731	2,821,258
General administration	4,747,046	3,413,700
Plant services	3,840,146	4,280,167
Ancillary and community services	816,471	808,303
Debt service	547,680	477,075
Transfers to other agencies	217,100	94,060
Total	\$ 29,074,289	\$ 29,718,053

FINANCIAL ANALYSIS OF THE DISTRICT'S MAJOR FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$33,569,006, which is more than this year's ending fund balance of \$20,480,149. The District's General Fund had \$8,498,128 more in operating revenues than expenditures for the year ended June 30, 2023.

CURRENT YEAR BUDGET 2022-2023

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

**FARMERSVILLE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

By the end of 2022-2023 the District had invested \$34,569,918 in capital assets, net of accumulated depreciation.

	Governmental Activities		
	2023	2022	Net Change
CAPITAL ASSETS			
Land	\$ 1,897,853	\$ 1,892,529	\$ 5,324
Construction in progress	2,387,014	322,675	2,064,339
Land improvements	5,394,130	5,394,130	-
Buildings & improvements	58,476,140	58,395,541	80,599
Furniture & equipment	5,420,412	4,199,847	1,220,565
Less: Accumulated depreciation	(39,005,631)	(30,438,806)	(8,566,825)
Lease assets - furniture & equipment	221,369	221,369	-
Less: Accumulated amortization (lease assets)	(221,369)	(106,981)	(114,388)
Total	\$ 34,569,918	\$ 39,880,304	\$ (5,310,386)

Long-Term Liabilities

At year-end, the District had \$52,053,274 in long-term liabilities, an increase of 53% from last year – as shown in the table below. More detailed information about the District's long-term liabilities is presented in footnotes to the financial statements.

	Governmental Activities		
	2023	2022	Net Change
LONG-TERM LIABILITIES			
Total general obligation bonds	\$ 8,464,921	\$ 5,627,778	\$ 2,837,143
Total certificates of participation	4,435,341	4,791,190	(355,849)
Leases payable	73,719	118,509	(44,790)
Compensated absences	333,600	274,486	59,114
Total OPEB liability	8,488,821	6,471,014	2,017,807
Net pension liability	30,909,776	17,419,166	13,490,610
Less: current portion of long-term liabilities	(652,904)	(607,790)	(45,114)
Total	\$ 52,053,274	\$ 34,094,353	\$ 17,958,921

**FARMERSVILLE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
FOR THE YEAR ENDED JUNE 30, 2023**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

In its June 2023 quarterly report, the UCLA Anderson Forecast stated the U.S. economy was not in a recession yet, but the forecast comes with a caution. Anti-inflation actions by the Federal Reserve could still trigger a near-term recession. The Federal Reserve has said that its actions will be dependent on data. If data shows that the labor market continues to remain robust and if another jobs report shows strong growth in payroll employment and inflation remains sticky, the Federal Reserve will likely err on the side of further tightening of monetary policy and thus, a mild recession later this year is the most likely. The Forecast anticipates that there will be a mild impact on the State of California's economy regardless of the Federal Reserve's policy actions. The California unemployment rate averages for 2023, 2024, and 2025 are expected to be 4.1%, 4.0% and 4.0%, respectively, and non-farm payroll jobs are expected to grow at rates of 2.0%, 1.3%, and 1.6%, during the same three years.

Fiscal policy for the funding of public education changes annually based on fluctuations in State revenues. The May 2023 Budget Revision includes a total Proposition 98 guarantee of \$106.8 billion (\$77.4 billion General Fund and \$29.4 billion local property tax) down from the January 2023 Governor's Budget Proposition 98 guarantee of \$108.8 billion (\$79.6 billion General Fund and \$29.2 billion local property tax). The Proposition 98 Guarantee continues to be in Test 1 for 2022-23 and 2023-24. At May Revision, the 2023-24 cost-of-living adjustment (COLA) is updated to 8.22 percent, the largest COLA in the history of LCFF. Additionally, the May revise saw a reduction of \$1.8 billion to the Arts, Music, and Instructional Materials Discretionary Block Grant and a \$2.5 billion reduction of the Learning Recovery Emergency Block Grant.

The District participates in state employee pensions plans, California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) and both are underfunded. The District's proportionate share of the liability is reported in the Statement of Net Position as of June 30, 2023. The amount of the liability is material to the financial position of the District. The CalSTRS projected employer contribution rate for 2023-24 is 19.10 percent. The CalPERS projected employer contribution rate for 2023-24 is 26.68 percent. The projected increased pension costs to school employers remain a significant fiscal factor.

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

All of these factors were considered in preparing the District's budget for the 2023-24 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Chief Business Officer, Farmersville Unified School District, 571 East Citrus, Farmersville, California 93223 or call (559) 592 2010.

FARMERSVILLE UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities
ASSETS	
Cash and investments	\$ 35,589,187
Accounts receivable	4,442,452
Inventory	24,580
Capital assets, not depreciated	4,284,867
Capital assets, net of accumulated depreciation	30,285,051
Total Assets	<u>74,626,137</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	14,397,120
Deferred outflows related to OPEB	2,321,230
Total Deferred Outflows of Resources	<u>16,718,350</u>
LIABILITIES	
Accrued liabilities	3,877,284
Unearned revenue	2,819,875
Long-term liabilities, current portion	652,904
Long-term liabilities, non-current portion	52,053,274
Total Liabilities	<u>59,403,337</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	3,727,929
Deferred inflows related to OPEB	1,520,276
Total Deferred Inflows of Resources	<u>5,248,205</u>
NET POSITION	
Net investment in capital assets	24,619,026
Restricted:	
Capital projects	6,142,012
Debt service	477,169
Educational programs	12,339,492
Food service	499,633
Associated student body	127,892
Unrestricted	(17,512,279)
Total Net Position	<u>\$ 26,692,945</u>

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

FARMERSVILLE UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Function/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES					
Instruction	\$ 26,939,997	\$ 150,081	\$ 15,969,536	\$ 1,582,344	\$ (9,238,036)
Instruction-related services					
Instructional supervision and administration	1,518,210	-	695,717	-	(822,493)
Instructional library, media, and technology	1,501,834	-	259,037	-	(1,242,797)
School site administration	4,681,433	-	813,644	-	(3,867,789)
Pupil services					
Home-to-school transportation	987,053	-	61,394	-	(925,659)
Food services	3,291,859	25,703	2,732,187	-	(533,969)
All other pupil services	3,710,861	-	1,435,758	-	(2,275,103)
General administration					
Centralized data processing	1,596,376	-	-	-	(1,596,376)
All other general administration	3,327,919	-	177,249	-	(3,150,670)
Plant services	5,954,706	396	2,114,164	-	(3,840,146)
Ancillary services	938,747	-	321,435	-	(617,312)
Community services	341,941	26,917	115,865	-	(199,159)
Interest on long-term debt	547,680	-	-	-	(547,680)
Other outgo	523,614	240,893	65,621	-	(217,100)
Total Governmental Activities	\$ 55,862,230	\$ 443,990	\$ 24,761,607	\$ 1,582,344	(29,074,289)
General revenues					
Taxes and subventions					
Property taxes, levied for general purposes					1,653,510
Property taxes, levied for debt service					376,802
Property taxes, levied for other specific purposes					129,476
Federal and state aid not restricted for specific purposes					34,672,728
Interest and investment earnings					154,536
Miscellaneous					338,137
Subtotal, General Revenue					37,325,189
CHANGE IN NET POSITION					8,250,900
Net Position - Beginning, as Restated					18,442,045
Net Position - Ending					\$ 26,692,945

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

**FARMERSVILLE UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2023**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 25,110,783	\$ 10,478,404	\$ 35,589,187
Accounts receivable	4,209,660	232,792	4,442,452
Due from other funds	719,002	384,573	1,103,575
Stores inventory	-	24,580	24,580
Total Assets	\$ 30,039,445	\$ 11,120,349	\$ 41,159,794
LIABILITIES			
Accrued liabilities	\$ 3,597,332	\$ 70,006	\$ 3,667,338
Due to other funds	384,573	719,002	1,103,575
Unearned revenue	2,818,646	1,229	2,819,875
Total Liabilities	6,800,551	790,237	7,590,788
FUND BALANCES			
Nonspendable	5,000	24,580	29,580
Restricted	12,238,995	10,305,532	22,544,527
Unassigned	10,994,899	-	10,994,899
Total Fund Balances	23,238,894	10,330,112	33,569,006
Total Liabilities and Fund Balances	\$ 30,039,445	\$ 11,120,349	\$ 41,159,794

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

FARMERSVILLE UNIFIED SCHOOL DISTRICT**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION****JUNE 30, 2023**

Total Fund Balance - Governmental Funds **\$ 33,569,006**

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

Capital assets:

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

Capital assets	\$ 73,575,549	
Lease assets	221,369	
Accumulated depreciation	(39,005,631)	
Accumulated amortization (lease assets)	<u>(221,369)</u>	34,569,918

Unmatured interest on long-term debt:

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

(209,946)

Long-term liabilities:

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

Total general obligation bonds	\$ 8,464,921	
Total certificates of participation	4,435,341	
Leases payable	73,719	
Compensated absences	333,600	
Total OPEB liability	8,488,821	
Net pension liability	<u>30,909,776</u>	(52,706,178)

Deferred outflows and inflows of resources relating to pensions:

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

Deferred outflows of resources related to pensions	\$ 14,397,120	
Deferred inflows of resources related to pensions	<u>(3,727,929)</u>	10,669,191

Deferred outflows and inflows of resources relating to OPEB:

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

Deferred outflows of resources related to OPEB	\$ 2,321,230	
Deferred inflows of resources related to OPEB	<u>(1,520,276)</u>	800,954

Total Net Position - Governmental Activities **\$ 26,692,945**

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

**FARMERSVILLE UNIFIED SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023**

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES			
LCFF sources	\$ 35,447,911	\$ -	\$ 35,447,911
Federal sources	10,752,077	1,930,710	12,682,787
Other state sources	12,796,579	2,201,169	14,997,748
Other local sources	2,025,641	972,104	2,997,745
Total Revenues	61,022,208	5,103,983	66,126,191
EXPENDITURES			
Current			
Instruction	27,619,650	80,624	27,700,274
Instruction-related services			
Instructional supervision and administration	1,022,105	-	1,022,105
Instructional library, media, and technology	899,869	-	899,869
School site administration	4,441,216	23,636	4,464,852
Pupil services			
Home-to-school transportation	831,023	-	831,023
Food services	102,662	2,228,630	2,331,292
All other pupil services	4,037,955	-	4,037,955
General administration			
Centralized data processing	1,329,258	-	1,329,258
All other general administration	2,498,517	1,225	2,499,742
Plant services	5,699,940	-	5,699,940
Facilities acquisition and construction	2,431,063	-	2,431,063
Ancillary services	722,831	302,538	1,025,369
Community services	339,748	-	339,748
Transfers to other agencies	318,608	-	318,608
Debt service			
Principal	207,790	400,000	607,790
Interest and other	21,845	344,219	366,064
Total Expenditures	52,524,080	3,380,872	55,904,952
Excess (Deficiency) of Revenues Over Expenditures	8,498,128	1,723,111	10,221,239
Other Financing Sources (Uses)			
Transfers in	-	423,436	423,436
Other sources	-	2,867,618	2,867,618
Transfers out	(423,436)	-	(423,436)
Net Financing Sources (Uses)	(423,436)	3,291,054	2,867,618
NET CHANGE IN FUND BALANCE	8,074,692	5,014,165	13,088,857
Fund Balance - Beginning	15,164,202	5,315,947	20,480,149
Fund Balance - Ending	\$ 23,238,894	\$ 10,330,112	\$ 33,569,006

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

FARMERSVILLE UNIFIED SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

Net Change in Fund Balances - Governmental Funds **\$ 13,088,857**

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

Capital outlay:

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

Expenditures for capital outlay:	\$ 3,370,827	
Depreciation expense:	(8,566,825)	
Amortization expense:	<u>(114,388)</u>	(5,310,386)

Debt service:

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

607,790

Debt proceeds:

In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount, were:

(3,072,624)

Unmatured interest on long-term debt:

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

(209,946)

Compensated absences:

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

(59,114)

Postemployment benefits other than pensions (OPEB):

In governmental funds, OPEB expenses are recognized when employer OPEB contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer OPEB contributions was:

(638,629)

(continued on next page)

**FARMERSVILLE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, continued
FOR THE YEAR ENDED JUNE 30, 2023**

Pensions:

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

3,816,622

Amortization of debt issuance premium or discount:

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

28,330

Change in Net Position of Governmental Activities

\$ 8,250,900

FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

The District operates under a locally elected Board form of government and provides educational services to grades K-12 as mandated by the state. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student-related activities.

B. Component Units

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

C. Basis of Presentation

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

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

FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fund Financial Statements. The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

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

Major Governmental Funds

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

Non-Major Governmental Funds

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

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

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

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

FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Non-Major Governmental Funds (continued)

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

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

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

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

Special Reserve Fund for Capital Outlay Projects: This fund exists primarily to provide for the accumulation of General Fund moneys for capital outlay purposes (*Education Code Section 42840*).

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

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

Debt Service Fund: This fund is used for the accumulation of resources for and the retirement of principal and interest on general long-term debt.

**FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting – Measurement Focus

Government-Wide Financial Statements

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

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

Governmental Funds

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

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, "available" means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California school districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for school districts as collectible within one year.

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.

FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cash and Cash Equivalents

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

Investments

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

Inventories

Inventories are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are requisitioned. Inventories are valued at historical cost and consist of expendable supplies held for consumption.

Capital Assets

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

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

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

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

FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Due from other funds/Due to other funds." These amounts are eliminated in the governmental activities columns of the statement of net position.

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

Postemployment Benefits Other Than Pensions (OPEB)

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

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

Valuation Date	July 1, 2022
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 – June 30, 2023

FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Postemployment Benefits Other Than Pensions (OPEB) (continued)

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

Premiums and Discounts

In the government-wide and proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

Deferred Outflows/Deferred Inflows of Resources

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

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

Pensions

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

FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance

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

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

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

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

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

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

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

FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Interfund Activity

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

G. Estimates

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

H. Budgetary Data

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

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

I. Property Tax

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

FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements

GASB Statement No. 91 – In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. This standard's primary objectives are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The statement was postponed by GASB Statement No. 95 and is effective for periods beginning after December 15, 2021. The District has fully implemented this Statement as of June 30, 2023.

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for governments. This statement defines a SBITA; establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The statement is effective for periods beginning after June 15, 2022. The District has fully implemented this Statement as of June 30, 2023.

GASB Statement No. 99 – In April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The statement addresses various practice issues, including: (a) clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives, (b) disclosures related to nonmonetary transactions; clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements, (c) terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and (d) terminology used in Statement 53 to refer to resource flows statements. A portion of this statement was effective upon issuance, while the remaining portions of this statement were effective for periods beginning after June 15, 2022 and for periods beginning after June 15, 2023. The District has implemented the requirements that were effective upon issuance but has not yet determined the impact on the financial statements for the requirements of this statement that are not yet effective.

GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement is effective for periods beginning after June 15, 2023. The District has not yet determined the impact on the financial statements.

GASB Statement No. 101 – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement is effective for periods beginning after December 15, 2023. The District has not yet determined the impact on the financial statements.

FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

	Governmental Activities
Investment in county treasury	\$ 35,046,405
Cash on hand and in banks	128,019
Cash with fiscal agent	409,763
Cash in revolving fund	5,000
Total	\$ 35,589,187

B. Policies and Practices

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

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

FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 2 – CASH AND INVESTMENTS (continued)

C. General Authorizations

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

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

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a pooled investment with the County Treasury with a fair value of approximately \$35,046,405. The average weighted maturity for this pool is 672 days.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments in the County Treasury are not required to be rated. As of June 30, 2023, the pooled investments in the County Treasury were not rated.

FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 2 – CASH AND INVESTMENTS (continued)

F. Custodial Credit Risk – Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2023, the District's bank balance was not exposed to custodial credit risk.

G. Fair Value

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

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

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

The District's fair value measurements at June 30, 2023 were as follows:

	<u>Uncategorized</u>
Investment in county treasury	\$ 35,046,405
Total	<u>\$ 35,046,405</u>

FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2023 consisted of the following:

	General Fund	Non-Major Governmental Funds	Governmental Activities
Federal Government			
Categorical aid	\$ 2,700,246	\$ 136,924	\$ 2,837,170
State Government			
Apportionment	4,808	-	4,808
Categorical aid	1,298,680	95,868	1,394,548
Lottery	157,151	-	157,151
Local Government			
Other local sources	48,775	-	48,775
Total	\$ 4,209,660	\$ 232,792	\$ 4,442,452

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	Balance July 01, 2022	Additions	Deletions	Balance June 30, 2023
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 1,892,529	\$ 5,324	\$ -	\$ 1,897,853
Construction in progress	322,675	2,064,339	-	2,387,014
Total capital assets not being depreciated	2,215,204	2,069,663	-	4,284,867
Capital assets being depreciated				
Land improvements	5,394,130	-	-	5,394,130
Buildings & improvements	58,395,541	80,599	-	58,476,140
Furniture & equipment	4,199,847	1,220,565	-	5,420,412
Total capital assets being depreciated	67,989,518	1,301,164	-	69,290,682
Less: Accumulated depreciation				
Land improvements	4,471,882	242,302	-	4,714,184
Buildings & improvements	23,260,436	7,975,559	-	31,235,995
Furniture & equipment	2,706,488	348,964	-	3,055,452
Total accumulated depreciation	30,438,806	8,566,825	-	39,005,631
Total capital assets being depreciated, net	37,550,712	(7,265,661)	-	30,285,051
Lease assets being amortized				
Furniture & equipment	221,369	-	-	221,369
Total lease assets being amortized	221,369	-	-	221,369
Less: Accumulated amortization for lease assets				
Furniture & equipment	106,981	114,388	-	221,369
Total accumulated amortization for lease assets	106,981	114,388	-	221,369
Total lease assets being amortized, net	114,388	(114,388)	-	-
Governmental Activities				
Capital Assets, net	\$ 39,880,304	\$ (5,310,386)	\$ -	\$ 34,569,918

FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 4 – CAPITAL ASSETS (continued)

Depreciation and amortization expense was charged to governmental activities as follows:

Governmental Activities	
Instruction	\$ 3,398,939
Instructional supervision and administration	681,584
Instructional library, media, and technology	596,385
School site administration	937,177
Home-to-school transportation	340,792
Food services	1,022,376
Centralized data processing	255,593
All other general administration	937,177
Plant services	511,190
Total	\$ 8,681,213

NOTE 5 – INTERFUND TRANSACTIONS

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

Individual interfund receivable and payable balances at June 30, 2023 were as follows:

	Due From Other Funds		
	General Fund	Non-Major Governmental Funds	Total
Due To Other Funds			
General Fund	\$ -	\$ 384,573	\$ 384,573
Non-Major Governmental Funds	719,002	-	719,002
Total	\$ 719,002	\$ 384,573	\$ 1,103,575
The General Fund due to the Adult Education Fund for retiree benefits costs.			\$ 12,496
The General Fund due to the Cafeteria Fund for retiree benefits costs.			372,077
The Adult Education Fund due to the General Fund for indirect costs.			69,964
The Cafeteria Fund due to the General Fund for indirect costs.			649,038
Total			\$ 1,103,575

B. Operating Transfers

Interfund transfers for the year ended June 30, 2023 consisted of the following:

	Interfund Transfers In	
	Non-Major Governmental Funds	Total
Interfund Transfers Out		
General Fund	\$ 423,436	\$ 423,436
Total	\$ 423,436	\$ 423,436
General Fund transfer to the Cafeteria Fund for expenses.		\$ 110,473
General Fund transfer to the Debt Service Fund for debt payments.		312,963
Total		\$ 423,436

FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 6 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2023 consisted of the following:

	General Fund	Non-Major Governmental Funds	District-Wide	Governmental Activities
Payroll	\$ 672,777	\$ 11,532	\$ -	\$ 684,309
Vendors payable	2,136,258	58,474	-	2,194,732
Unmatured interest	-	-	209,946	209,946
Due to grantor government	788,297	-	-	788,297
Total	\$ 3,597,332	\$ 70,006	\$ 209,946	\$ 3,877,284

NOTE 7 – UNEARNED REVENUE

Unearned revenue at June 30, 2023 consisted of the following:

	General Fund	Non-Major Governmental Funds	Governmental Activities
Federal sources	\$ 2,527,516	\$ 1,229	\$ 2,528,745
State categorical sources	277,665	-	277,665
Local sources	13,465	-	13,465
Total	\$ 2,818,646	\$ 1,229	\$ 2,819,875

NOTE 8 – LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2023 consisted of the following:

	Balance July 01, 2022	Restated	Restated Balance July 01, 2022	Additions	Deductions	Balance June 30, 2023	Balance Due In One Year
Governmental Activities							
General obligation bonds	\$ 5,351,200	\$ -	\$ 5,351,200	\$ 3,000,000	\$ 220,000	\$ 8,131,200	\$ 225,000
Unamortized premium	276,578	-	276,578	72,624	15,481	333,721	17,902
Total general obligation bonds	5,627,778	-	5,627,778	3,072,624	235,481	8,464,921	242,902
Certificates of participation	4,640,000	-	4,640,000	-	343,000	4,297,000	351,000
Unamortized premium	151,190	-	151,190	-	12,849	138,341	12,849
Total certificates of participation	4,791,190	-	4,791,190	-	355,849	4,435,341	363,849
Leases payable	118,509	-	118,509	-	44,790	73,719	46,153
Compensated absences	274,486	-	274,486	59,114	-	333,600	-
Total OPEB liability	6,471,014	(135,361)	6,335,653	2,153,168	-	8,488,821	-
Net pension liability	17,419,166	-	17,419,166	13,490,610	-	30,909,776	-
Total	\$ 34,702,143	\$ (135,361)	\$ 34,566,782	\$ 18,775,516	\$ 636,120	\$ 52,706,178	\$ 652,904

- Payments for general obligation bonds are made in the Bond Interest and Redemption Fund.
- Payments on certificates of participation are made in the General Fund and Debt Service Fund.
- Payments for leases payable are made in the General Fund.
- Payments for compensated absences are typically liquidated in the General Fund and the Non-Major Governmental Funds.

FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 8 – LONG-TERM LIABILITIES (continued)

A. Compensated Absences

Total unpaid employee compensated absences as of June 30, 2023 amounted to \$333,600. This amount is included as part of long-term liabilities in the government-wide financial statements.

B. Certificates of Participation

In October 2010, the District issued certificates of participation in the amount of \$685,000 for the purpose of prepayment of an energy retrofit lease entered into in 2002. Interest on the certificates is payable annually on each April 1, commencing April 1, 2011.

In July 2014, the District issued 2014 refunding certificates of participation in the amount of \$1,837,000 for the purpose of refunding the outstanding 2005 certificates of participation which results in savings to the District. Interest on the 2014 refunding certificates of participation is 3.59% and is payable semiannually on each August 1 and February 1, commencing August 1, 2014.

In January 2019, the District issued certificates of participation in the amount of \$4,495,000 to finance a portion of the costs of construction, installation, and equipping of a new pool at Farmersville High School. Interest on the certificates is payable semiannually each May 1 and December 1, commencing May 1, 2019.

The annual requirements to amortize all certificates of participation outstanding at June 30, 2023 were as follows:

Year Ended June 30,	Principal	Interest	Total
2024	\$ 351,000	\$ 145,213	\$ 496,213
2025	359,000	135,369	494,369
2026	372,000	125,230	497,230
2027	195,000	116,163	311,163
2028	200,000	108,263	308,263
2029 - 2033	1,140,000	396,013	1,536,013
2034 - 2039	1,680,000	171,575	1,851,575
Total	\$ 4,297,000	\$ 1,197,826	\$ 5,494,826

C. General Obligation Bonds

In October 2000, the District issued \$1,600,000 of Election of 1992, Series B General Obligation Bonds. The bonds were authorized at an election of the registered voters of the District held on June 2, 1992, which authorized the issuance of \$4,000,000 principal amount of general obligation bonds to construct new school facilities within the District. The bonds were issued as capital appreciation bonds and accrete interest from the date of delivery, compounded semiannually January 1 and July 1 of each year, commencing January 1, 2001, payable at maturity.

FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 8 – LONG-TERM LIABILITIES (continued)

C. General Obligation Bonds (continued)

On July 22, 2015, the District issued \$3,170,000 of Election of 2014, Series A General Obligation Bonds. The bonds were issued as current interest bonds. Interest on the bonds is payable semiannually on February 1 and August 1 of each year commencing February 1, 2016. The bonds were issued to finance the acquisition and construction of educational facilities and projects which were described in the ballot measure and to pay for the cost of issuance.

On July 27, 2017, the District issued Election 2014, Series B (2017) General Obligation Bonds in the amount of \$1,630,000. The bonds were issued as current interest bonds. Interest on the bonds is payable semiannually on February 1 and August 1 of each year commencing February 1, 2018. The bonds were issued to continue to finance the acquisition and construction of educational facilities and projects which were described in the ballot measure and to pay for the cost of issuance.

On May 11, 2023, the District issued Election 2022, Series A General Obligation Bonds in the amount of \$3,000,000. The bonds were issued as current interest bonds. Interest on the bonds is payable semiannually on February 1 and August 1 of each year commencing August 1, 2023. The bonds were issued to continue to finance the acquisition and construction of educational facilities and projects which were described in the ballot measure and to pay for the cost of issuance.

The outstanding general obligation bonded debt is as follows:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2022	Additions	Deductions	Bonds Outstanding June 30, 2023
Election of 1992, Series B	10/3/2000	7/1/2025	4.25-5.80%	\$1,600,000	\$ 144,330	\$ -	\$ 52,836	\$ 91,494
Accreted interest					421,870	-	147,164	274,706
Election of 2014, Series A	7/22/2015	8/1/2044	2.00-5.00%	3,170,000	3,155,000	-	20,000	3,135,000
Election of 2014, Series B	7/27/2017	8/1/2045	2.00-5.00%	1,630,000	1,630,000	-	-	1,630,000
2022 Series A	5/11/2023	8/1/2053	4.00-5.00%	3,000,000	-	3,000,000	-	3,000,000
Total					\$ 5,351,200	\$ 3,000,000	\$ 220,000	\$ 8,131,200

The annual requirements to amortize these bonds and the remaining outstanding balance are as follows:

Year Ended June 30,	General obligation bonds		
	Principal	Interest	Total
2024	\$ 70,064	\$ 386,517	\$ 456,581
2025	161,430	496,895	658,325
2026	200,000	338,794	538,794
2027	55,000	330,043	385,043
2028	70,000	328,550	398,550
2029 - 2033	580,000	1,603,588	2,183,588
2034 - 2039	1,195,000	1,453,995	2,648,995
2039 - 2043	2,040,000	1,112,700	3,152,700
2044 - 2048	2,065,000	542,700	2,607,700
2049 - 2053	1,130,000	225,400	1,355,400
2054	290,000	13,050	303,050
Accretion	274,706	(274,706)	-
Total	\$ 8,131,200	\$ 6,557,526	\$ 14,688,726

Debt service payments are made from property tax levy authorized by the voters.

FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 8 – LONG-TERM LIABILITIES (continued)

D. Leases Payable

The District entered an agreement to lease copiers for five years, beginning February 11, 2020. Under the terms of the lease, the District binder paid the monthly payments of \$3,978, which amounted to total annual principal and interest costs of \$47,733. At June 30, 2023, the District has recognized a right-to-use asset of \$221,369 and a lease liability of \$73,719 related to this agreement. The District also pays for maintenance agreements per each copier. Those amounts vary and are unpredictable and as such are not included in the measurement of the lease liability.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023, were as follows:

Year Ended June 30,	Principal	Interest	Total
2024	\$ 46,153	\$ 1,580	\$ 47,733
2025	27,566	277	27,843
Total	\$ 73,719	\$ 1,857	\$ 75,576

E. Other Postemployment Benefits

The District's beginning restated total OPEB liability was \$6,335,653 and increased by \$2,153,168 during the year ended June 30, 2023. The ending total OPEB liability at June 30, 2023 was \$8,488,821. See Note 10 for additional information regarding the total OPEB liability.

F. Net Pension Liability

The District's beginning net pension liability was \$17,419,166 and increased by \$13,490,610 during the year ended June 30, 2023. The ending net pension liability at June 30, 2023 was \$30,909,773. See Note 11 for additional information regarding the net pension liability.

FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 9 – FUND BALANCES

Fund balances were composed of the following elements at June 30, 2023:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Non-spendable			
Revolving cash	\$ 5,000	\$ -	\$ 5,000
Stores inventory	-	24,580	24,580
Total non-spendable	5,000	24,580	29,580
Restricted			
Educational programs	12,238,995	100,497	12,339,492
Food service	-	499,633	499,633
Associated student body	-	127,892	127,892
Capital projects	-	8,890,395	8,890,395
Debt service	-	687,115	687,115
Total restricted	12,238,995	10,305,532	22,544,527
Unassigned	10,994,899	-	10,994,899
Total Fund Balance	\$ 23,238,894	\$ 10,330,112	\$ 33,569,006

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

NOTE 10 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

The Farmersville Unified School District's defined benefit OPEB plan, Farmersville Unified School District Retiree Benefit Plan (the Plan) is described below. The Plan is a single-employer defined benefit plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

B. Benefits Provided

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

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements. All employee groups are eligible to retire with District-paid health benefits after completing at least 10 years of District service and attainment of age 55. Benefits continue until age 65.

The District pays the total medical, dental and vision composite premiums up to a percentage of the cap, currently set at \$1,238.65/month for all groups. The cost of eligible dependent coverage is included as part of the composite rates.

FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

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

C. Contributions

For the measurement period, the District contributed \$477,398 to the Plan, all of which was used for current premiums.

D. Plan Membership

Membership of the Plan consisted of the following:

	<u>Number of participants</u>
Inactive employees receiving benefits	15
Inactive employees entitled to but not receiving benefits*	-
Participating active employees	<u>309</u>
Total number of participants**	<u>324</u>

*Information not provided

**As of the July 1, 2022 valuation date

E. Total OPEB Liability

The Farmersville Unified School District's total OPEB liability of \$8,488,821 was measured as of June 30, 2023 and was determined by an actuarial valuation as of July 1, 2022.

F. Actuarial Assumptions and Other Inputs

The total OPEB liability as of June 30, 2023 was determined by an actuarial valuation as of July 1, 2022 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2023.

Economic assumptions:

Inflation	2.50%
Salary increases	3.00%
Investment rate of return	3.86%
Healthcare cost trend rates	6.00%

FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

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

F. Actuarial Assumptions and Other Inputs (continued)

Non-economic assumptions:

Preretirement rates:

Certificated Mortality Rates for active employees from CalSTRS Experience Analysis (2010-2015).

Classified Preretirement Mortality Rates from CalPERS Experience Study (2000-2019).

Postretirement rates:

Certificated Mortality Rates for retired members and beneficiaries from CalSTRS Experience Analysis (2010-2015).

Classified Post-retirement Mortality Rates for Healthy Recipients from CalPERS Experience Study (2000-2019).

The actuarial assumptions used in the July 1, 2022 valuation were based on a review of plan experience during the period July 1, 2022 to June 30, 2023.

The discount rate was based on the Bond Buyer 20 Bond Index. The actuary assumed contributions would be sufficient to fully fund the obligation over a period not to exceed thirty years.

G. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

	1% Decrease	Valuation	1% Increase
	(2.86%)	Discount Rate	(4.86%)
	(3.86%)		
Total OPEB liability	\$ 9,238,484	\$ 8,488,821	\$ 7,781,071

H. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

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

	1% Decrease	Valuation Trend	1% Increase
	(5.00%)	Rate	(7.00%)
	(6.00%)		
Total OPEB liability	\$ 7,339,402	\$ 8,488,821	\$ 9,869,808

FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

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

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

For the year ended June 30, 2023, the Farmersville Unified School District recognized OPEB expense of \$1,116,027. At June 30, 2023, the Farmersville Unified School District reported deferred outflows of resources related to OPEB and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 1,143,406	\$ 617,336
Changes in assumptions	1,177,824	902,940
Total	<u>\$ 2,321,230</u>	<u>\$ 1,520,276</u>

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

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2024	\$ 393,274	\$ 273,556
2025	393,274	273,556
2026	393,274	273,556
2027	269,433	264,720
2028	167,899	251,463
Thereafter	704,076	183,425
Total	<u>\$ 2,321,230</u>	<u>\$ 1,520,276</u>

FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 11 – PENSION PLANS

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

	Net pension liability	Deferred outflows related to pensions	Deferred inflows related to pensions	Pension expense
STRS Pension	\$ 17,089,787	\$ 8,312,766	\$ 3,112,983	\$ (553,862)
PERS Pension	13,819,989	6,084,354	614,946	2,047,098
Total	\$ 30,909,776	\$ 14,397,120	\$ 3,727,929	\$ 1,493,236

A. California State Teachers' Retirement System (CalSTRS)

Plan Description

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

Benefits Provided

The CalSTRS defined benefit plan has two benefit formulas:

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

FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 11 – PENSION PLANS (continued)

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

Contributions

Active plan CalSTRS 2% at 60 and 2% at 62 members are required to contribute 10.25% and 10.205% of their salary for fiscal year 2023, respectively, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2023 was 19.10% of annual payroll. The contribution requirements of the plan members are established by state statute. Contributions to the plan from the District were \$3,181,818 for the year ended June 30, 2023.

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to CalSTRS for K-12 education. These payments consist of state general fund contributions of approximately \$1,372,945 to CalSTRS.

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

At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 17,089,787
State's proportionate share of the net pension liability associated with the District	8,558,616
Total	<u>\$ 25,648,403</u>

The net pension liability was measured as of June 30, 2022, 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, 2021 and rolling forward the total pension liability to June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2022, the District's proportion was 0.025 percent, which was an increase of 0.002 percent from its proportion measured as of June 30, 2021.

FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 11 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2023, the District recognized pension expense of \$(553,862). In addition, the District recognized pension expense and revenue of \$(640,116) for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ -	\$ 835,478
Differences between expected and actual experience	14,019	1,281,377
Changes in assumptions	847,529	-
Changes in proportion and differences between District contributions and proportionate share of contributions	4,269,400	996,128
District contributions subsequent to the measurement date	3,181,818	-
Total	<u>\$ 8,312,766</u>	<u>\$ 3,112,983</u>

The \$3,181,818 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2024	\$ 1,653,319	\$ 1,164,643
2025	936,389	1,164,113
2026	728,383	1,493,677
2027	728,381	(1,089,118)
2028	542,236	320,887
2029	542,240	58,781
Total	<u>\$ 5,130,948</u>	<u>\$ 3,112,983</u>

FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2018.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance–PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of June 30, 2021, are summarized in the following table:

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

*20-year geometric average

FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 11 – PENSION PLANS (continued)

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

Discount Rate

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

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

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 29,024,797	\$ 17,089,787	\$ 7,180,141

Pension Plan Fiduciary Net Position

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

FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 11 – PENSION PLANS (continued)

B. California Public Employees' Retirement System (CalPERS)

Plan Description

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

Benefits Provided

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

Contributions

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

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2023 was 25.37% of annual payroll. Contributions to the plan from the District were \$2,128,040 for the year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of \$13,819,989 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021 and rolling forward the total pension liability to June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2022, the District's proportion was 0.040 percent, which was an increase of 0.005 percent from its proportion measured as of June 30, 2021.

FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 11 – PENSION PLANS (continued)

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

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

For the year ended June 30, 2023, the District recognized pension expense of \$2,047,098. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between projected and actual earnings on plan investments	\$ 1,631,765	\$ -
Differences between expected and actual experience	62,458	343,859
Changes in assumptions	1,022,324	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,239,767	271,087
District contributions subsequent to the measurement date	2,128,040	-
Total	<u>\$ 6,084,354</u>	<u>\$ 614,946</u>

The \$2,128,040 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2024	\$ 1,127,631	\$ 336,241
2025	1,021,685	175,974
2026	812,004	102,731
2027	994,994	-
Total	<u>\$ 3,956,314</u>	<u>\$ 614,946</u>

FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions

The total pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Discount Rate	6.90%
Salary Increases	Varies by Entry Age and Service

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are derived using CalPERS' membership data for all funds. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 80% of scale MP 2020.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period from 2000 through 2019.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 11 – PENSION PLANS (continued)

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

Actuarial Assumptions (continued)

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

Asset Class	Assumed Asset Allocation	Real Return Years 1 – 10*
Global Equity – cap-weighted	30.0%	4.45%
Global Equity – non-cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed securities	5.0%	0.50%
Investment grade corporates	10.0%	1.56%
High yield	5.0%	2.27%
Emerging market debt	5.0%	2.48%
Private debt	5.0%	3.57%
Real assets	15.0%	3.21%
Leverage	(5.0)%	(0.59)%
	<u>100.0%</u>	

*An expected inflation of 2.30% used for this period. Figures are based on the 2021-22 CalPERS Asset Liability Management Study

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool. The results of the crossover testing for the Schools Pool are presented in a detailed report that can be obtained at CalPERS' website.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
District's proportionate share of the net pension liability	\$ 19,963,674	\$ 13,819,989	\$ 8,742,459

Pension Plan Fiduciary Net Position

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

FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2023.

B. Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2023.

C. Construction Commitments

As of June 30, 2023, the District had commitments with respect to unfinished capital projects as follows:

	Remaining Construction Commitments
Capital Projects	
FHS Chiller Project	\$ 207,594
Hester HVAC	11,250
Snowden HVAC	12,300
Total	\$ 231,144

NOTE 13 – PARTICIPATION IN JOINT POWERS AUTHORITIES

The District participates in three joint ventures under joint powers authorities (JPAs), the Self-Insured Schools of California (SISC III), the Tulare County Schools Insurance Group (TCSIG) and the Tulare County School Districts' Self-Insurance Authority (TCSDSA) joint powers authorities (JPAs). The relationships between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes.

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

FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, continued
JUNE 30, 2023

NOTE 14 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A. Pension Plans

Pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District recognized deferred outflows of resources related to pensions and deferred inflows of resources related to pensions in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 11. At June 30, 2023, total deferred outflows related to pensions was \$14,397,120 and total deferred inflows related to pensions was \$3,727,929.

B. Other Postemployment Benefits

Pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District recognized deferred outflows of resources related to other postemployment benefits and deferred inflows of resources related to other postemployment benefits in the District-wide financial statements. Further information regarding the deferred outflows of resources and deferred inflows of resources can be found at Note 10. At June 30, 2023, total deferred outflows related to other postemployment benefits was \$2,321,230 and total deferred inflows related to other postemployment benefits was \$1,520,276.

NOTE 15 – RESTATEMENT OF NET POSITION AND FUND BALANCE

The amounts previously reported at June 30, 2022 as the ending net position for Governmental Activities has been restated due to the elimination of the net OPEB balance related to the Medicare Premium Payment Program. The June 30, 2022 ending balances have been restated as follows:

	Governmental Activities
Net Position - Beginning, as Previously Reported	\$ 18,306,684
Restatement	135,361
Net Position - Beginning, as Restated	<u>\$ 18,442,045</u>

REQUIRED SUPPLEMENTARY INFORMATION

**FARMERSVILLE UNIFIED SCHOOL DISTRICT
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual*	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
LCFF sources	\$ 32,940,576	\$ 35,407,385	\$ 35,447,911	\$ 40,526
Federal sources	12,018,688	12,690,410	10,817,915	(1,872,495)
Other state sources	2,751,217	3,288,554	12,796,579	9,508,025
Other local sources	1,380,064	1,395,254	1,959,802	564,548
Total Revenues	49,090,545	52,781,603	61,022,207	8,240,604
EXPENDITURES				
Certificated salaries	16,114,370	17,292,834	18,668,914	(1,376,080)
Classified salaries	6,148,506	6,503,241	6,813,904	(310,663)
Employee benefits	11,903,965	12,150,466	12,456,328	(305,862)
Books and supplies	3,879,773	4,992,268	3,118,918	1,873,350
Services and other operating expenditures	8,063,134	9,802,245	7,644,346	2,157,899
Capital outlay	5,970,503	5,610,665	3,318,217	2,292,448
Other outgo				
Excluding transfers of indirect costs	922,685	922,685	503,453	419,232
Total Expenditures	53,002,936	57,274,404	52,524,080	4,750,324
Excess (Deficiency) of Revenues				
Over Expenditures	(3,912,391)	(4,492,801)	8,498,127	12,990,928
Other Financing Sources (Uses)				
Transfers out	(648,361)	(448,361)	(423,436)	24,925
Net Financing Sources (Uses)	(648,361)	(448,361)	(423,436)	24,925
NET CHANGE IN FUND BALANCE				
Fund Balance - Beginning	15,164,153	15,164,153	15,164,153	-
Fund Balance - Ending	\$ 10,603,401	\$ 10,222,991	\$ 23,238,844	\$ 13,015,853

* The actual amounts actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund in accordance with the fund type definitions promulgated by GASB Statement No. 54. Additionally audit adjustments are not included.

FARMERSVILLE UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2023

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability						
Service cost	\$ 681,211	\$ 484,349	\$ 429,481	\$ 465,893	\$ 431,968	\$ 331,662
Interest on total OPEB liability	315,098	143,254	166,267	225,071	219,268	152,370
Changes of benefit terms	-	-	(966,773)	-	816,504	-
Difference between expected and actual experience	904,958	-	101,725	446,616	584,880	(212,094)
Changes of assumptions	729,299	(1,093,372)	(267,753)	(347,159)	(207,695)	-
Benefits payments	(477,398)	(349,065)	-	-	-	(174,235)
Net change in total OPEB liability	2,153,168	(814,834)	(537,053)	790,421	1,844,925	97,703
Total OPEB liability - beginning	6,335,653	7,150,487	7,687,540	6,897,119	5,052,194	4,954,491
Total OPEB liability - ending	\$ 8,488,821	\$ 6,335,653	\$ 7,150,487	\$ 7,687,540	\$ 6,897,119	\$ 5,052,194
 Covered-employee payroll	 N/A*	 N/A*	 N/A*	 N/A*	 N/A*	 N/A*
 District's total OPEB liability as a percentage of covered-employee payroll	 N/A*	 N/A*	 N/A*	 N/A*	 N/A*	 N/A*

*The OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay; therefore, no measure of payroll is presented.

FARMERSVILLE UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2023

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.025%	0.023%	0.023%	0.022%	0.023%	0.021%	0.021%	0.023%	0.024%
District's proportionate share of the net pension liability	\$ 17,089,787	\$ 10,274,294	\$ 22,637,944	\$ 19,890,788	\$ 20,919,443	\$ 19,347,135	\$ 17,305,338	\$ 15,786,111	\$ 14,032,171
State's proportionate share of the net pension liability associated with the District	8,558,616	5,169,626	11,669,863	10,851,753	11,977,359	11,445,601	9,851,620	8,349,112	8,473,231
Total	\$ 25,648,403	\$ 15,443,920	\$ 34,307,807	\$ 30,742,541	\$ 32,896,802	\$ 30,792,736	\$ 27,156,958	\$ 24,135,223	\$ 22,505,402
District's covered payroll	\$ 14,762,128	\$ 12,382,644	\$ 12,894,076	\$ 12,302,408	\$ 12,001,552	\$ 11,254,817	\$ 10,826,794	\$ 10,760,405	\$ 10,807,345
District's proportionate share of the net pension liability as a percentage of its covered payroll	115.8%	83.0%	175.6%	161.7%	174.3%	171.9%	159.8%	146.7%	129.8%
Plan fiduciary net position as a percentage of the total pension liability	81.2%	87.2%	71.8%	72.6%	71.0%	69.5%	70.0%	74.0%	76.5%

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

See accompanying notes to required supplementary information.

**FARMERSVILLE UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - CALPERS
FOR THE YEAR ENDED JUNE 30, 2023**

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.040%	0.035%	0.035%	0.034%	0.034%	0.033%	0.031%	0.032%	0.031%
District's proportionate share of the net pension liability	\$ 13,819,989	\$ 7,144,872	\$ 10,597,683	\$ 9,840,630	\$ 8,989,066	\$ 7,827,193	\$ 6,144,579	\$ 4,674,870	\$ 3,510,771
District's covered payroll	\$ 7,130,035	\$ 6,136,034	\$ 6,155,798	\$ 5,953,444	\$ 4,114,449	\$ 3,812,594	\$ 3,748,468	\$ 3,575,380	\$ 3,345,604
District's proportionate share of the net pension liability as a percentage of its covered payroll	193.8%	116.4%	172.2%	165.3%	218.5%	205.3%	163.9%	130.8%	104.9%
Plan fiduciary net position as a percentage of the total pension liability	69.8%	81.0%	70.0%	70.0%	70.8%	71.9%	73.9%	79.4%	83.4%

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

See accompanying notes to required supplementary information.

**FARMERSVILLE UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALSTRS
FOR THE YEAR ENDED JUNE 30, 2023**

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	\$ 3,181,818	\$ 2,497,752	\$ 1,999,797	\$ 2,204,887	\$ 2,002,832	\$ 1,731,824	\$ 1,415,856	\$ 1,161,715	\$ 955,524
Contributions in relation to the contractually required contribution*	(3,181,818)	(2,497,752)	(1,999,797)	(2,204,887)	(2,002,832)	(1,731,824)	(1,415,856)	(1,161,715)	(955,524)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 15,984,541	\$ 14,762,128	\$ 12,382,644	\$ 12,894,076	\$ 12,302,408	\$ 12,001,552	\$ 11,254,817	\$ 10,826,794	\$ 10,760,405
Contributions as a percentage of covered payroll	19.91%	16.92%	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%

*Amounts do not include on-behalf contributions

See accompanying notes to required supplementary information.

**FARMERSVILLE UNIFIED SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS - CALPERS
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 2,128,040	\$ 1,633,491	\$ 1,270,159	\$ 1,213,985	\$ 1,075,311	\$ 639,015	\$ 529,493	\$ 444,081	\$ 420,858
Contributions in relation to the contractually required contribution*	(2,128,040)	(1,633,491)	(1,270,159)	(1,213,985)	(1,075,311)	(639,015)	(529,493)	(444,081)	(420,858)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 7,553,110	\$ 7,130,035	\$ 6,136,034	\$ 6,155,798	\$ 5,953,444	\$ 4,114,449	\$ 3,812,594	\$ 3,748,468	\$ 3,575,380
Contributions as a percentage of covered payroll	28.17%	22.91%	20.70%	19.72%	18.06%	15.53%	13.89%	11.85%	11.77%

*Amounts do not include on-behalf contributions

See accompanying notes to required supplementary information.

**FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Changes in Total OPEB Liability and Related Ratios

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

Changes in Benefit Terms

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

Changes in Assumptions

The discount rate increased from 3.69% to 3.86% from the previous measurement.

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

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

Changes in Benefit Terms

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

Changes in Assumptions

There were no changes in economic assumptions since the previous valuations for CalSTRS. The discount rate changed from 7.15% to 6.90% and the inflation rate changed from 2.50% to 2.30% since the previous measurement for CalPERS.

Schedule of District Contributions

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

FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION, continued
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2023, the District incurred an excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule by major object code.

	Expenditures and Other Uses		
	Budget	Actual	Excess
General Fund			
Certificated salaries	\$ 17,292,834	\$ 18,668,914	\$ 1,376,080
Classified salaries	\$ 6,503,241	\$ 6,813,904	\$ 310,663
Employee benefits	\$ 12,150,466	\$ 12,456,328	\$ 305,862

SUPPLEMENTARY INFORMATION

FARMERSVILLE UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster	AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION:			
<i>Passed through California Department of Education:</i>			
Title I, Part A			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	\$ 1,319,238
Comprehensive Support and Improvement for LEAs	84.010	15438	36,788
Subtotal Title I, Part A			<u>1,356,026</u>
Adult Education			
Adult Education: Adult Basic Education & ESL	84.002A	14508	23,004
Adult Education: Adult Secondary Education	84.002	13978	31,889
Subtotal Adult Education			<u>54,893</u>
Title II, Part A, Supporting Effective Instruction Local Grants	84.367	14341	175,327
Title III			
Title III, English Learner Student Program	84.365	14346	97,871
Title III, Immigrant Education Program	84.365	15146	2,749
Subtotal Title III			<u>100,620</u>
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	76,805
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14349	246,791
Special Education Cluster			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	480,062
ARP IDEA Part B, Sec 611, Local Assistance Entitlement	84.027	15638	73,698
IDEA Preschool Grants, Part B, Section 619 (Age 3-5)	84.173	13430	22,478
Subtotal Special Education Cluster			<u>576,238</u>
Strengthening Career and Technical Education for the 21st Century (Perkins V)	84.048	14894	34,986
COVID-19 Emergency Acts Funding/Education Stabilization Fund Discretionary Grants:			
Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425	15547	2,139,930
Elementary and Secondary School Emergency Relief III (ESSER III) Fund	84.425	15559	4,339,655
Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	84.425U	10155	666,217
Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425	15618	297,099
Expanded Learning Opportunities (ELO) Grant GEER II	84.425	15619	35,838
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Emergency Needs	84.425	15620	193,674
Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss	84.425	15621	333,702
American Rescue Plan - Homeless Children and Youth II (ARP HYC II) Program	84.425	15566	1,735
After School Education and Safety (ASES) Rate Increase: ESSER III State Reserve	84.425	15649	112,240
Subtotal Education Stabilization Fund Discretionary Grants			<u>8,120,090</u>
Total U. S. Department of Education			<u>10,741,776</u>
U. S. DEPARTMENT OF AGRICULTURE:			
<i>Passed through California Department of Education:</i>			
Child Nutrition Cluster			
School Breakfast Program - Basic	10.553	13525	318,155
National School Lunch Program	10.555	13391	946,376
USDA Commodities	10.555	*	108,195
Summer Food Service Program for Children	10.559	13004	57,694
Supply Chain Assistance (SCA) Funds	10.555	15655	62,043
Subtotal Child Nutrition Cluster			<u>1,492,463</u>
Pandemic EBT Local Administrative Grant	10.649	15644	3,063
Forest Reserve Funds	10.665	10044	65,926
<i>Passed through California Department of Social Services:</i>			
CACFP Claims - Centers and Family Day Care	10.558	13393	379,559
Total U. S. Department of Agriculture			<u>1,941,011</u>
Total Federal Expenditures			<u>\$ 12,682,787</u>

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

**FARMERSVILLE UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA)
FOR THE YEAR ENDED JUNE 30, 2023**

	Second Period Report	Annual Report
SCHOOL DISTRICT		
TK/K through Third		
Regular ADA	658.89	662.45
Total TK/K through Third	658.89	662.45
Fourth through Sixth		
Regular ADA	534.63	534.25
Total Fourth through Sixth	534.63	534.25
Seventh through Eighth		
Regular ADA	357.03	358.14
Total Seventh through Eighth	357.03	358.14
Ninth through Twelfth		
Regular ADA	724.00	721.15
Total Ninth through Twelfth	724.00	721.15
TOTAL SCHOOL DISTRICT	2,274.55	2,275.99

**FARMERSVILLE UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2023**

Grade Level	Minutes Requirement	2022-23 Actual Minutes	Number of Days	Status
Kindergarten	36,000	46,560	180	Complied
Grade 1	50,400	51,960	180	Complied
Grade 2	50,400	54,460	180	Complied
Grade 3	50,400	54,460	180	Complied
Grade 4	54,000	56,420	180	Complied
Grade 5	54,000	56,420	180	Complied
Grade 6	54,000	56,420	180	Complied
Grade 7	54,000	62,841	180	Complied
Grade 8	54,000	62,841	180	Complied
Grade 9	64,800	65,786	180	Complied
Grade 10	64,800	65,786	180	Complied
Grade 11	64,800	65,786	180	Complied
Grade 12	64,800	65,786	180	Complied

See accompanying notes to supplementary information.

**FARMERSVILLE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2023**

	2024 (Budget)	2023	2022	2021
General Fund - Budgetary Basis**				
Revenues And Other Financing Sources	\$ 53,779,738	\$ 61,022,207	\$ 45,610,459	\$ 39,798,416
Expenditures And Other Financing Uses	57,112,456	52,947,516	46,300,869	36,637,666
Net change in Fund Balance	\$ (3,332,718)	\$ 8,074,691	\$ (690,410)	\$ 3,160,750
Ending Fund Balance	\$ 19,906,126	\$ 23,238,844	\$ 15,164,153	\$ 15,854,563
Available Reserves*	\$ 7,687,097	\$ 10,994,899	\$ 11,322,881	\$ 13,576,158
Available Reserves As A Percentage Of Outgo	13.46%	20.77%	24.46%	37.06%
Long-term Liabilities	\$ 52,053,274	\$ 52,706,178	\$ 34,702,143	\$ 51,793,562
Average Daily Attendance At P-2***	2,296	2,275	2,243	2,398

The General Fund ending fund balance has increased by \$7,384,281 over the past two years. However, the fiscal year 2023-24 budget projects a decrease of \$3,332,718. For a District this size, the State recommends available reserves of at least 3% of General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2023-24 fiscal year. Total long-term obligations have increased by \$912,616 over the past two years.

Average daily attendance has decreased by 123 ADA over the past two years. An increase of 21 ADA is anticipated during the 2023-24 fiscal year.

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

**The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Deferred Maintenance Fund in accordance with the fund type definitions promulgated by GASB Statement No. 54.

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

FARMERSVILLE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund	Deferred Maintenance Fund
June 30, 2023, annual financial and budget report fund balance	\$ 23,238,844	\$ 50
Adjustments and reclassifications:		
Increase (decrease) in total fund balances:		
Fund balance transfer (GASB 54)	50	(50)
Net adjustments and reclassifications	50	(50)
June 30, 2023, audited financial statement fund balance	\$ 23,238,894	\$ -

See accompanying notes to supplementary information.

**FARMERSVILLE UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2023**

The District was not the sponsoring organization for any charter schools during the year ended June 30, 2023.

FARMERSVILLE UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
JUNE 30, 2023

	Student Activity Fund	Adult Education Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Debt Service Fund	Non-Major Governmental Funds
ASSETS										
Cash and investments	\$ 127,892	\$ 154,866	\$ 618,136	\$ 2,748,383	\$ 534,504	\$ 3,233,673	\$ 2,373,835	\$ 665,666	\$ 21,449	\$ 10,478,404
Accounts receivable	-	14,721	218,071	-	-	-	-	-	-	232,792
Due from other funds	-	12,496	372,077	-	-	-	-	-	-	384,573
Stores inventory	-	-	24,580	-	-	-	-	-	-	24,580
Total Assets	\$ 127,892	\$ 182,083	\$ 1,232,864	\$ 2,748,383	\$ 534,504	\$ 3,233,673	\$ 2,373,835	\$ 665,666	\$ 21,449	\$ 11,120,349
LIABILITIES										
Accrued liabilities	\$ -	\$ 10,393	\$ 59,613	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70,008
Due to other funds	-	69,964	649,038	-	-	-	-	-	-	719,002
Unearned revenue	-	1,229	-	-	-	-	-	-	-	1,229
Total Liabilities	-	81,586	708,651	-	-	-	-	-	-	790,237
FUND BALANCES										
Non-spendable	-	-	24,580	-	-	-	-	-	-	24,580
Restricted	127,892	100,497	499,633	2,748,383	534,504	3,233,673	2,373,835	665,666	21,449	10,305,532
Total Fund Balances	127,892	100,497	524,213	2,748,383	534,504	3,233,673	2,373,835	665,666	21,449	10,330,112
Total Liabilities and Fund Balances	\$ 127,892	\$ 182,083	\$ 1,232,864	\$ 2,748,383	\$ 534,504	\$ 3,233,673	\$ 2,373,835	\$ 665,666	\$ 21,449	\$ 11,120,349

See accompanying notes to supplementary information.

**FARMERSVILLE UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2023**

	Student Activity Fund	Adult Education Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Bond Interest and Redemption Fund	Debt Service Fund	Non-Major Governmental Funds
REVENUES										
Federal sources	\$ -	\$ 54,894	\$ 1,875,816	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,930,710
Other state sources	-	60,251	549,560	-	-	1,586,988	-	4,370	-	2,201,169
Other local sources	310,459	1,116	18,236	(86,617)	268,919	(4,644)	58,840	384,357	21,438	972,104
Total Revenues	310,459	116,261	2,443,612	(86,617)	268,919	1,582,344	58,840	388,727	21,438	5,103,983
EXPENDITURES										
Current										
Instruction	-	80,624	-	-	-	-	-	-	-	80,624
Instruction-related services	-	23,636	-	-	-	-	-	-	-	23,636
School site administration	-	-	-	-	-	-	-	-	-	-
Pupil services	-	-	2,228,630	-	-	-	-	-	-	2,228,630
Food services	-	-	-	-	-	-	-	-	-	-
General administration	-	-	-	-	1,225	-	-	-	-	1,225
All other general administration	302,538	-	-	-	-	-	-	-	-	302,538
Ancillary services	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	220,000	180,000	400,000
Principal	-	-	-	-	-	-	-	211,256	132,963	344,219
Interest and other	-	-	-	-	-	-	-	431,256	312,963	3,380,872
Total Expenditures	302,538	104,260	2,228,630	-	1,225	-	-	431,256	312,963	3,380,872
Excess (Deficiency) of Revenues Over Expenditures	7,921	12,001	214,982	(86,617)	267,694	1,582,344	58,840	(42,529)	(291,525)	1,723,111
Other Financing Sources (Uses)										
Transfers in	-	-	110,473	-	-	-	-	-	312,963	423,436
Other sources	-	-	-	2,835,000	-	-	-	32,618	-	2,867,618
Net Financing Sources (Uses)	-	-	110,473	2,835,000	-	-	-	32,618	312,963	3,291,054
NET CHANGE IN FUND BALANCE	7,921	12,001	325,455	2,748,383	267,694	1,582,344	58,840	(9,911)	21,438	5,014,165
Fund Balance - Beginning	119,971	88,496	198,758	-	266,810	1,651,329	2,314,995	675,577	11	5,315,947
Fund Balance - Ending	\$ 127,892	\$ 100,497	\$ 524,213	\$ 2,748,383	\$ 534,504	\$ 3,233,673	\$ 2,373,835	\$ 665,666	\$ 21,449	\$ 10,330,112

See accompanying notes to supplementary information.

FARMERSVILLE UNIFIED SCHOOL DISTRICT
LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2023

The Farmersville Unified School District was unified in 1993. The District currently operates three elementary schools, one junior high school, one high school, one continuing education high school and one adult school. There were no boundary changes during the year.

GOVERNING BOARD

Member	Office	Term Expires
John Alvarez	President	2026
John Vasquez	Clerk	2026
Alice Lopez	Member	2024
Ruben Macareno	Member	2022
Sabrina Gomez	Member	2024

DISTRICT ADMINISTRATORS

Dr. Sergio Chavez
Superintendent

Jason Kaff
Business Manager/Chief Business Official

**FARMERSVILLE UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
JUNE 30, 2023**

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The District has not elected to use the 10 percent de minimis indirect cost rate.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the article 8 (commencing with section 46200) of chapter 2 of part 26 of the *Education Code*.

Schedule of Financial Trends and Analysis

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Annual Financial and Budget Report Unaudited Actuals to the audited financial statements.

Schedule of Charter Schools

This schedule lists 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.

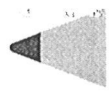
Combining Statements – Non-Major Funds

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

Local Education Agency Organization Structure

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

OTHER INDEPENDENT AUDITORS' REPORTS



CHRISTY WHITE

Certified Public Accountants serving
K-12 School Districts and Charter
Schools throughout California

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

Independent Auditors' Report

Governing Board
Farmersville Unified School District
Farmersville, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Farmersville Unified School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Farmersville Unified School District's basic financial statements, and have issued our report thereon dated November 30, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

348 Olive Street
San Diego, CA
92103

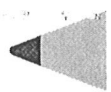
O: 619-270-8222
F: 619-260-9085
christywhite.com

Purpose of this Report

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

A handwritten signature in cursive script that reads "Christy White, Inc".

San Diego, California
November 30, 2023



CHRISTY WHITE

Certified Public Accountants serving
K-12 School Districts and Charter
Schools throughout California

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditors' Report

Governing Board
Farmersville Unified School District
Farmersville, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Farmersville Unified School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Farmersville Unified School District's major federal programs for the year ended June 30, 2023. Farmersville Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Farmersville Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Farmersville Unified School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for each major federal program. Our audit does not provide a legal determination of Farmersville Unified School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of the laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Farmersville Unified School District's federal programs.

348 Olive Street
San Diego, CA 92103
O: 619-270-8222
F: 619-260-9085
christywhite.com

Auditor's Responsibilities for the Audit for Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Farmersville Unified School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user of the report on compliance about Farmersville Unified School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Farmersville Unified School District's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Farmersville Unified School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Farmersville Unified School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

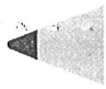
Report on Internal Control Over Compliance, continued

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

A handwritten signature in cursive script that reads "Christy White, Inc.".

San Diego, California
November 30, 2023



CHRISTY WHITE

Certified Public Accountants serving
K-12 School Districts and Charter
Schools throughout California

REPORT ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE FOR STATE PROGRAMS

Independent Auditors' Report

Governing Board
Farmersville Unified School District
Farmersville, California

Report on State Compliance

Opinion on State Compliance

We have audited Farmersville Unified School District's compliance with the requirements specified in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to Farmersville Unified School District's state program requirements as identified in the table in the Auditor's Responsibilities for the Audit of State Compliance section of our report for the year ended June 30, 2023.

In our opinion, Farmersville Unified School District complied, in all material respects, with the laws and regulations of the applicable laws and regulations of the applicable state programs for the year ended June 30, 2023.

Basis for Opinion on State Compliance

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the K-12 Audit Guide). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of State Compliance section of our report.

We are required to be independent of Farmersville Unified School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of Farmersville Unified School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of the laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Farmersville Unified School District's state programs.

348 Olive Street
San Diego, CA
92103

O: 619-270-8222
F: 619-260-9085
christywhite.com

Auditor's Responsibilities for the Audit of State Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the state compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Farmersville Unified School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the K-12 Audit Guide will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Farmersville Unified School District's compliance with the requirements of the applicable state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, and the K-12 Audit Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Farmersville Unified School District's compliance with compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of Farmersville Unified School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the K-12 Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of Farmersville Unified School District's internal control over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine Farmersville Unified School District's compliance with the state laws and regulations applicable to the following items:

PROGRAM NAME	PROCEDURES PERFORMED
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
Home to School Transportation Reimbursement	Yes
Independent Study Certification for ADA Loss Mitigation	Yes

Auditor's Responsibilities for the Audit of State Compliance (continued)

PROGRAM NAME	PROCEDURES PERFORMED
School Districts, County Offices of Education, and Charter Schools	
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
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
Transitional Kindergarten	Yes
Charter Schools	
Attendance; for charter schools	Not Applicable
Mode of Instruction; for charter schools	Not Applicable
Nonclassroom-Based Instruction/Independent Study; for charter schools	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction; for charter schools	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

The term "Not Applicable" is used above to mean either the District did not offer the program during the current fiscal year, the District did not participate in the program during the current fiscal year, or the program applies to a different type of local education agency.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identify during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying schedule of findings and questioned costs as Finding #2023-001. Our opinion on state compliance is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Farmersville Unified School District's response to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Farmersville Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

Report on Internal Control Over Compliance (continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of State Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the K-12 Audit Guide. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Christy White, Inc.".

San Diego, California
November 30, 2023

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**FARMERSVILLE UNIFIED SCHOOL DISTRICT
SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2023**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Non-compliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

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

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>	
<u>84.010</u>	<u>Title I, Part A</u>	
<u>84.425, 84.425U</u>	<u>Education Stabilization Fund Discretionary Grants</u>	
Dollar threshold used to distinguish between Type A and Type B programs:		<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?		<u>Yes</u>

STATE AWARDS

Internal control over state programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None Reported</u>
Any audit findings disclosed that are required to be reported in accordance with 2022-23 Guide for Annual Audits of California K-12 Local Education Agencies ?	<u>Yes</u>
Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>

**FARMERSVILLE UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023**

FIVE DIGIT CODE

20000
30000

AB 3627 FINDING TYPE

Inventory of Equipment
Internal Control

There were no financial statement findings for the year ended June 30, 2023.

FARMERSVILLE UNIFIED SCHOOL DISTRICT
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

FIVE DIGIT CODE

50000

AB 3627 FINDING TYPE

Federal Compliance

There were no federal award findings or questioned costs for the year ended June 30, 2023.

**FARMERSVILLE UNIFIED SCHOOL DISTRICT
STATE AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

FIVE DIGIT CODE

10000
40000
42000
43000
60000
61000
62000
70000
71000
72000

AB 3627 FINDING TYPE

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

FINDING #2023-001: CLASSROOM TEACHER SALARIES (61000)

Criteria: As set forth in California Education Code section 41372, an elementary school district should expend a minimum of 55% of the District's current expenses of education towards salaries of classroom teachers.

Condition: In the 2022-23 fiscal year, Farmersville Unified School District did not meet the minimum percentage requirement of 55%. Farmersville Unified School District only spent 48.62% on classroom teacher salaries in the 2022-23 fiscal year.

Effect: The District's current expense of education for the year ended June 30, 2023 was \$46,043,227.77 and the total salaries and benefits for classroom teachers was \$22,388,185.13. The District was below the minimum required percentage of 55% by 6.38% which calculates out to a deficiency of \$2,937,557.93.

Cause: The deficiency amount was due to the change in the funding model with implementation of the Local Control Funding Formula.

Questioned Costs: The questioned costs are the deficiency of \$2,937,557.93.

Repeat Finding: No.

Recommendation: We recommend that in the future, the District monitor their expenses towards salaries of classroom teachers against their total expenses to be sure that they meet the 55% minimum requirement and request a exemption from the county office of education.

Corrective Action Plan: The Local Control Funding Formula (LCFF) has led to significant increases in funding over the past several years. Additionally, LCFF gives the District tremendous flexibility on how funds are used and has a requirement that Supplemental/Concentration funds are to be spent according to the LCAP. As a result, this requires funds to be spent on other actions to increase or improve the outcomes of students, which lowers the percentage used for teacher salaries. The District filed a 22-23 CEA waiver which was approved by the County Office and the District will continue to file waivers as needed.

FARMERSVILLE UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

There were no findings or questioned costs for the year ended June 30, 2022.