VISALIA UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
June 30, 2020

VISALIA UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2020
(Continued)

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Visalia Unified School District
Visalia, California

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

(Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Visalia Unified School District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 16 and the General Fund Budgetary Comparison Schedule, Schedule of Changes in the District's Net Other Postemployment Benefits (OPEB) Liability, Schedule of the District's Proportionate Share of the Net Pension Liability, and Schedule of the District's Contributions on pages 61 to 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Visalia Unified School District's basic financial statements. The accompanying schedule of expenditure 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* (Uniform Guidance), and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the Schedule of Financial Trends and Analysis, 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 schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated March 2, 2021 on our consideration of Visalia 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 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 Visalia 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 Visalia Unified School District's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Sacramento, California
March 2, 2021

This section of Visalia Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement Number 34. The report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

District-Wide Statements

The *District-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting, which is intended to be similar to those used by private sector companies. They provide both short-term and long-term information about the District's overall financial status. They present governmental activities and business-type activities separately, though our District does not have any business-type activities at this time. These statements include all assets of the District (including capital assets), as well as all liabilities (including long-term obligations). 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. Additionally, certain eliminations have occurred as prescribed by the statement in regard to interfund activity, payables, and receivables.

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- Governmental activities – The District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and State formula aid (Local Control Funding Formula) finance most of these activities.
- Business-type activities – The District does not have any activities included here, as fees the District may charge to help it cover the costs of certain services it provides (such as specific Adult School classes) do not constitute major reportable activities.

Fund Financial Statements

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental (basic services), proprietary (business-type activities), and fiduciary (assets held for others). They focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements which reports on the District as a whole.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

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

The District has three kinds of funds:

- *Governmental funds* – These statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting. They tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending. Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash, and other financial assets that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.

- *Proprietary funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements using the economic resources measurement focus and the accrual basis of accounting. They offer short- and long-term financial information about the activities that the District operates like a business.

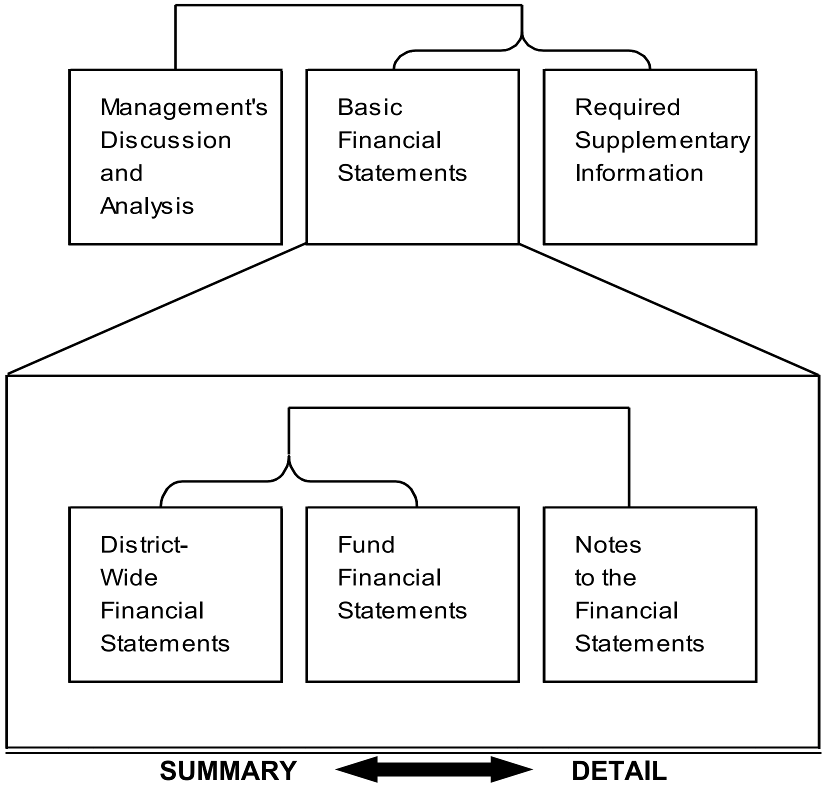
  Our District does not utilize enterprise funds (one type of proprietary fund) at this time, which are the same as business-type activities. We do, however, use internal service funds (the other kind of proprietary fund) to report activities that provide supplies and services for the District's other programs and activities. The District currently has one internal service fund – the employee health and welfare insurance fund.

- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, in this case, the student activities (agency) funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong, which are the student bodies. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position, which only report a balance sheet and do not have a measurement focus. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

The financial statements also include notes that explain some of the information of the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 on the next page shows how the various parts of this annual report are arranged and related to one another.

Figure A-1
Organization of the District's Annual Financial Report



Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- The 2019-20 fiscal year was Governor Gavin Newsom's first State Budget. At the time the economy continued to outperform expectations, but the recovery from the great Recession was in its 10th year and a downturn was looming. The final COLA for 2019-20 was 3.26% with LCFF being fully funded. Unfortunately, costs for pensions, minimum wage, special education and attracting and retaining employees are rising faster than the inflationary increases provided by COLA and fiscal challenges still remain.

- In March 2020, the economy came to a screeching halt when the COVID-19 pandemic shut economies down across the world. California ranks 5th among the world's largest economies including the United States, China, Japan, and Germany. This makes the state highly susceptible to national and global economic shocks. To address a cash flow issue at the State level, cash deferrals for June 2020 LCFF apportionment were implemented. This deferred nearly $42 million in revenues from June 2020 to July 2020 for the District.

- Senate Bill 117 made available funds to LEA's to be used for the costs associated with maintaining nutritional services, cleaning, and disinfecting, as well as personal protective equipment and distant learning options through school closures from March 2020 through year-end.

- The following factors play a significant role in the economic recovery:

    - Increased State and Local Unemployment Rates of 15.1% State, 17.1% Tulare County and 8.9% for Visalia, compared to 3.9% State, 8.0% Tulare County and 5.0% Visalia in the previous fiscal year.

  - Capital gains and personal income tax continue to fuel growth in the California economy and State revenue.
  - UCLA Anderson says the U.S. economy is in “Depression-like crisis” and will not return to pre-recession peak until 2023. They also forecast recovery in California will mirror the U.S. recovery. In spite of the recession, the continued demand for a limited housing stock couple with low interest rates should lead to a relatively rapid return of homebuilding. Growth is expected to decline by 8.6% for 2020, then increase by 5.3% and 4.9% in 2021 and 2022. The California unemployment rate is expected to be 14.6% and decline for the balance of 2021. For 2020, 2021, and 2022, the average unemployment rate is forecast to be 10.5%, 8.2%, and 6.8%, respectively.
  - Housing has seen a sharp decline with permits down 54.25% and housing valuation down 30.68% from prior year.

- The District continues to budget using conservative revenue estimates and maintains a reserve and fund balance that enables the District to maintain fiscal solvency. The District maintains a reserve for economic uncertainty of 13% at the close of the 2019-20 fiscal year or $47.5 million.

- The Districts overall financial condition improved with additional revenues from the LCFF funding formula. State revenues from the LCFF are up $111.7 million from FY 2013-14, with $48.1 million of those new revenues dedicated to improving services for our most needy students.

- Pension costs continue to limit the District’s ability to restore and improve programs with $24.2 million in new pension costs since 2013-14, projected to grow to $29.0million in new costs by 2022-23.

- Ivanhoe Elementary School received a full campus modernization. Redwood High Schools science wing received new state-of-the-art labs. Golden West High School began its seven phase campus-wide modernization which includes new ceiling, wall, and floor finishes throughout all classroom and student spaces, technology, and next generation furniture.

- Construction was completed on Denton Elementary School and welcomed students in August 2019. Sequoia High School construction broke ground in the spring of 2019 and a new site equipped to house up to 500 students was completed in June 2020. Both campuses feature state-of-the-art, next generation classrooms with technology and flexible furniture.

- Overall, Governmental Fund revenues were $408.5 million for the audit year, as compared to $413.0 million in the prior year, down $4.5 million or 1.10% due to decreases in federal and other state sources.

- General Fund revenues for the current year exceeded basic expenditures by $12.6 million; $367.5 million in revenues compared to $354.9 million in basic expenditures with salaries and benefits accounting for 83.53% of basic expenditures compared to 80.72% for the prior year.

- Housing growth in the City of Visalia has shown steady growth for the past 5 years; which correlates to steady revenues from the Developer Fee Fund. The Developer Fee rate for 2019-20 was at the Level 1 rate at $3.79 per square foot for residential development, the same as the previous Level 1 rate of $3.79 per square foot in 2018-19. Total revenues remain steady for the year at $5.32 million for FY 2019-20 compared to $5.29 million in 2018-19. The total revenue increase is mainly due to higher Interest income, and a net increase in fair market value.

- In November 2018, voters approved the $105 million Measure A General Obligation Bond. Measure A was approved to fund campus modernization projects, new construction to prevent overcrowding, improvements to science classrooms at middle and high schools, and campus security projects at all schools. The first series of bonds were sold on June 25, 2020, and Measure A facility projects will begin in the 2020-21 school year.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in it. Net position is the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we report only the District's governmental activities, as the District does not have any business-type activities. All of the District's services are reported in this category, and include the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the ongoing effort to improve and maintain buildings and sites. Property taxes; state income taxes; user fees; interest income; federal, state, and local grants; as well as general obligation bonds finance these activities.

A more detailed analysis of the District's net position and changes in net position follows:

Table A-1
Net Position

(Amounts in millions)	Governmental Activities 2020	Governmental Activities 2019	Dollar Change 2020-2019	Total Percentage Change 2020-2019
Current and other assets	$ 229.1	$ 241.3	$ (12.2)	-5.06%
Capital assets (less depreciation)	462.7	419.6	43.1	10.27%
Total Assets	691.8	660.9	30.9	4.68%
Current liabilities	37.1	28.9	8.2	28.37%
Long-term liabilities	550.7	543.3	7.4	1.36%
Total Liabilities	587.8	572.2	15.6	2.73%
Deferred Inflows/Outflows of Resources	78.5	92.4	(13.9)	-15.04%
Net position				
Net investment in capital assets	330.4	311.4	19.0	6.10%
Restricted	63.5	48.2	15.3	31.74%
Unrestricted	(211.5)	(178.6)	(32.9)	18.42%
Total Net Position	$ 182.4	$ 181.0	$ 1.4	0.77%

Net position. The District's combined net position was $181.0 million for the fiscal year ended June 30, 2019, and $182.4 million for the fiscal year ended June 30, 2020, an increase of $1.4 million (Table A-1). This increase in the District's financial position came from its governmental activities, and was due primarily to the increase in capital assets for Measure E Projects.

The results of this year's operations for the District as a whole are reported in the Statement of Activities that can be found in the Basic Financial Statements Section of this document. Table A-2 takes the information from the statement, rounds the numbers, and rearranges them slightly so the reader can see the District's total revenues for the year.

Table A-2
Statement of Activities

(Amounts in millions)	Governmental Activities 2020	Governmental Activities 2019	Total Dollar Change 2020-2019	Total Percentage Change 2020-2019
Revenues				
General revenues:				
Federal and State aid not restricted	$ 258.7	$ 251.8	$ 6.9	2.74%
Charges for services	5.9	6.3	(0.4)	-6.35%
Operating grants and contributions	83.5	92.6	(9.1)	-9.83%
Tax revenues	51.6	49.6	2.0	4.03%
Other local sources	12.2	15.4	(3.2)	-20.78%
Total Revenues	411.9	415.7	(3.8)	-0.91%
Expenses				
Instruction-related	296.5	289.7	6.8	2.35%
Student support services	42.2	40.8	1.4	3.43%
Administration	19.7	13.2	6.5	49.24%
Maintenance and operations	35.8	33.8	2.0	5.92%
Other	16.4	20.6	(4.2)	-20.39%
Total Expenses	410.6	398.1	12.5	3.14%
Excess of Revenues over Expenses	1.3	17.6	(16.3)	-92.61%
Change in Net Position	$ 1.3	$ 17.6	$ (16.3)	-92.61%

Changes in net position. The District's total revenues decreased from $415.7 million at June 30, 2019, to $411.9 million at June 30, 2020, a decrease of 0.91 percent (Table A-2). As mentioned earlier, the increase in revenues was primarily due to the increase in revenues received from the State under the LCFF, Medi-Cal Administrative Activities (MAA) reimbursements, insurance claim reimbursement for the Mt. Whitney High School fire, increased interest earnings, and transportation services.

The total cost of all programs and services increased 3.14 percent from $398.1 million at June 30, 2019, to $410.6 million at June 30, 2020. The majority of the District's expenses relate to instruction (72.20 percent). The purely administrative activities of the District accounted for just 4.80 percent of total costs.

Overall, total revenues surpassed expenses, increasing net position $1.3 million, a decrease of $16.3 million over last year's increase. With the cyclical challenges of the State's finances, the District will continue to work to strengthen our fiscal foundation for the years when budget reductions may be necessary and deficits may decrease the District's net position.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds – Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

In Table A-3, the net cost of each of the District's seven largest functions is presented below. The 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.

Table A-3
Net Cost of Governmental Activities

(Amounts in millions)

	Net Cost of Services			
	2020	2019	$ Change	% Change
Instruction	$ 187.0	$ 175.2	$ 11.8	6.74%
Instruction-related activities (supervision, library, and media)	45.5	43.5	2.0	4.60%
Other pupil services	19.2	17.1	2.1	12.28%
Food services	0.6	0.2	0.4	200.00%
Pupil transportation	6.9	6.5	0.4	6.15%
General administration	18.0	10.8	7.2	66.67%
Maintenance and operations (plant services)	34.6	32.0	2.6	8.13%
			-	
Other	9.4	13.8	(4.4)	-31.88%
Totals	$ 321.2	$ 299.1	$ 22.1	7.39%

Proprietary Funds – When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities – such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities, scholarships, employee retiree benefits, and pensions. The District's fiduciary activities are reported in separate *Statements of Fiduciary Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the total net capital assets totaled $419.6 million. At June 30, 2020, the total net capital assets totaled $462.7 million. This amount represents a net increase (including additions, deductions, and depreciation) of $43.1 million, or 10.27 percent, from last year. The increase is related to the new construction of an elementary school and continuation high school.

Table A-4
Capital Assets at Year-End
(Net of depreciation)

(Amounts in millions)

	Governmental Activities 2020	Governmental Activities 2019	Total Dollar Change 2020-2019	Total Percentage Change 2020-2019
Land	$ 18.3	$ 18.3	$ -	0.00%
Construction in progress	71.4	64.8	6.6	10.19%
Buildings and improvements	361.4	325.6	35.8	11.00%
Equipment	11.6	10.9	0.7	6.42%
Totals	$ 462.7	$ 419.6	$ 43.1	10.27%

Long-Term Obligations

At June 30, 2019, the District had $543.2 million in long-term obligations outstanding versus $550.7 million at June 30, 2020, an increase of $7.5 million or 1.38 percent. Direct debt decreased by $1.9 million in aggregate due to regular debt service payments. The Districts liabilities for retiree pensions and health insurance increased by $9.2 million which are attributed increases in the Districts Net Pension Liability as well as accounting changes as it relates to the Other Postemployment Benefits.

Table A-5
Outstanding Debt at Year-end

(Amounts in millions)

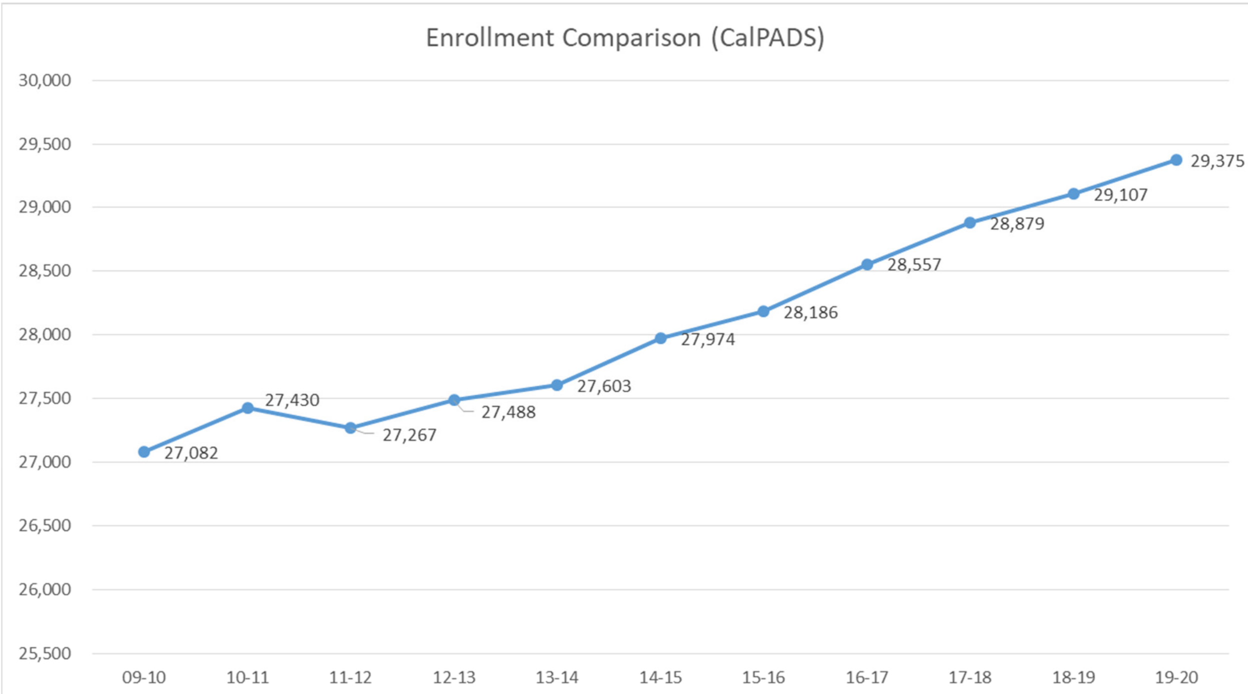
	Governmental Activities		Total Dollar Change	Total Percentage Change
	2020	2019	2020-2019	2020-2019
General obligation bonds	$ 61.8	$ 62.0	$ (0.2)	-0.32%
Certificates of participation	73.2	74.9	(1.7)	-2.27%
Capitalized lease obligations	1.6	1.6	-	0.00%
Other postemployment benefits liability	85.0	91.0	(6.0)	-6.59%
Net Pension Liability	328.1	312.9	15.2	4.86%
Compensated Absences	1.0	0.8	0.2	25.00%
Totals	$ 550.7	$ 543.2	$ 7.5	1.38%

The District's general obligation bond rating continues to be stable (currently AA-). The State limits the amount of general obligation debt that Districts can issue per Education Code Section 15106 to 2.5 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of $61.8 million is well below the statutorily-imposed limit of approximately $349.6 million.

Other obligations include compensated absences payable, postemployment benefits (not including health benefits), and other long-term obligations. We present more detailed information regarding our long-term liabilities in the Notes to the Financial Statements.

STUDENT ENROLLMENT

The District continues to experience growth in enrollment in elementary grades; however, with the increase in popularity in charter schools within the District boundary that trend has stabilized. The District recognized a slight enrollment increase of 268 students to 29,375 in 2019-20, from a total of 29,107 in 2018-19. Additionally, the District's CBEDS to P2 ADA ratio remains above the State average at 95.62%.



SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2019-2020 ARE NOTED BELOW:

The 2019-20 budget included COLA of 3.26% with LCFF being fully funded. Going forward, increased funding in the LCFF will be based on the Cost of Living Adjustment or COLA, an inflationary measure to meet the ongoing increases in normal costs. Unfortunately, costs for pensions, minimum wage, special education and attracting and retaining employees are rising faster than the inflationary increases provided by COLA.

The certificated bargaining unit reached an agreement with the District to provide a 3.26% salary increase for the 2019-20 year and a 0.75% salary study adjustment, bringing the total salary increase to 4.01%. The classified bargaining unit reached an agreement with the District to provide a 3.26% salary increase for the 2019-20 year. California State Teachers Retirement System (STRS) and California Public Employees Retirement System (PERS) rates paid by the district in 2019-20 increased over the prior year. The STRS rates were implemented by the state to offset shortfalls in the retirement program. The percentage of salary contributed to STRS by the district on-behalf of its teachers rose from 16.280% in 2018-19 to 17.100% in 2019-20. PERS retirement rates for classified staff also grew slightly in 2019-20 going from 18.062% in 2018-19 to 19.721% in 2019-20.

The District has taken actions to mitigate these cost increases, opening a pension trust account with one-time funding in 2016-17. During 2019-20, the balance in the pension trust account grew from $7,014,487 in 2018-19 to $7,193,180 at the end of 2019-20. In addition, VUSD maintained a reserve for economic uncertainties at 13% for FY 2019-20.

Highlights of 2019-20

- LCFF Funding at 100% with COLA only
- Completed construction of Sequoia High School
- Completed construction of Denton Elementary School
- Implemented new Business Information System, Tyler Munis, July 1, 2019
- Increased achievement in State level Assessments in both Math and English Language Arts
- 1,190 students participating in Career Technical Education (CTE) Academies
- Five of the District's preschool sites were part of the Sobrato Early Academic Language (SEAL) training
- 19 of the 70 participants in the Classified Employee Teacher Credential Scholarship Program are now classroom teachers
- The Health & Wellness Clinic served on average 852 patients per month
- 91,676 student health office visits were conducted
- Transportation transported 1,219,005 students safely
- 2,062 students were enrolled at Visalia Adult School
- Completed full modernization of Ivanhoe Elementary
- Served over 850,000 breakfasts, 2,100,000 lunches, and 50,000 after school snacks
- Grab-N-Go Meal service system was established
- 96.8% graduation rate

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The 2020-21 State Budget process has been unlike any we have experienced before. The January Governor's proposal projected a surplus with a funded Cost of Living Adjustment (COLA) and continued growth in the California economy. Then, in a matter of weeks, then months, the May Revision projected a $54 billion shortfall as a result of the COVID-19 pandemic. Just as the Local Control Funding Formula or LCFF reached its target for full funding to restore the cuts from the Great Recession, the State and Nation were pushed into recession and the Education budget takes a major hit. The State has planned to balance the budget through the use of all available Reserve balances, One-time funds from Federal CARES Act funding, Education Deferrals, and cuts to the LCFF and other areas of the State budget.

The VUSD budget uses the May Revision to build the assumptions for 20-21 and includes reductions to the LCFF of 7.92% or $23 million when compared to 2019-20 and over $30 million when compared to the January proposal. To meet the State's shortfall, other areas of the budget are also reduced including Adult School, State Preschool, Career Technical Education, and After School programs.

This budget demonstrates that Visalia Unified continues to place a priority on giving our students the best learning environment, the most qualified teaching and classified staff, safe schools, and limitless opportunities for future success. Our guiding directives for budget reductions include:

- Preserve instructional programs and opportunities for students
- Ensure short term and long term fiscal solvency
- Apply any actions affecting employees' salaries and benefits equitably

In March, the district took action to balance the 2019-20 deficit to enter 2020-21 with a balanced budget. This was done through the restructure of programs under the Local Control and Accountability Plan (LCAP) following input from staff and the community, as well as in other unrestricted departmental budgets. Staffing reductions, discretionary funding, travel and conference, equipment replacement, Other Post Employment Benefit transfers and other budgets were reduced or eliminated to meet the reduced LCFF revenues. Over $20 million in reductions compared to current year; however, more work needs to be done to balance the budget. The remaining 2020-21 budget deficit is projected to be $9.6 million and balanced through the use of One-time Federal CARES Act funding and Reserves.

After budget adoption, the State Adopted budget included restoration of funding for Education. The cuts included in the May Revise were reversed and schools received no reduction and were held harmless. The result was a restoration of over $23 million in cuts and the result was a balanced budget for the 2020-21 fiscal year.

Highlights of the VUSD 2020-21 Budget include:

- Implementation of the Local Control and Accountability Plan using supplemental and concentration (targeted) funds to improve services across the District by expanding student opportunities for learning, after-school enrichment and behavior support and intervention.

- Measure A was approved to fund campus modernization projects, new construction to prevent overcrowding, improvements to science classrooms at middle and high schools, and campus security projects at all schools. The first series of bonds were sold on June 25, 2020, and Measure A facility projects will begin in the 2020-21 school year.

- Maintenance of the District Reserve for Economic Uncertainty of 13%

The District continues to budget conservatively and the key assumptions in our revenue forecast are:

1. Regular Average Daily Attendance (ADA) from 2019-20 P-2 K-12 with zero projected growth for 2020-21 is budgeted at 27,993.16.

2. Cost of Living Adjustment (COLA) decrease of 7.92% on all State programs.

3. State Lottery is projected to be $207.00 per ADA, of which $54.00 is restricted to instructional materials, and $153.00 is unrestricted.

4. One-time dollars are not budgeted until received.

Expenditures are based on the following assumptions:

1. Step increases for certificated, management, and classified are budgeted in full at $3.8 million.

2. Health care costs per employee will be shared by the District and employee as negotiated. The annual cost of health care coverage will be $16,494 per certificated employee, $15,354 per management employee, and $14,926 per classified employee. The District will pay $14,286.50 per certificated employee, $13,887 per management employee and $14,299 per classified employee.

3. Routine Restricted Maintenance Account is funded at 3% of total General Fund expenditures.

4. Contributions to restricted programs to cover projected encroachment will be $42.9 million.

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 Nathan Hernandez, Chief Business Officer, Administrative Services, at Visalia Unified School District, 5000 West Cypress Avenue, Visalia, California 93277, or e-mail at nhernandez@vusd.org.

BASIC FINANCIAL STATEMENTS

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	$ 162,697,131
Receivables	65,832,264
Stores inventory	562,868
Non-depreciable capital assets (Note 4)	89,769,505
Depreciable capital assets, net of accumulated depreciation (Note 4)	372,928,910
Total assets	691,790,678
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions (Notes 8 and 9)	95,719,496
Deferred outflows of resources - OPEB (Note 10)	7,408,294
Total deferred outflows	103,127,790
LIABILITIES	
Accounts payable	20,219,759
Claims liability (Note 5)	6,722,735
Unearned revenue	10,178,947
Long-term liabilities:	
Due within one year (Note 6)	4,147,219
Due after one year (Note 6)	546,587,151
Total liabilities	587,855,811
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 8 and 9)	15,847,000
Deferred inflows of resources - OPEB (Note 10)	8,810,277
Total deferred inflows	24,657,277
NET POSITION	
Net investment in capital assets	330,418,318
Restricted:	
Legally restricted programs	34,063,999
Capital projects	20,552,464
Debt service	8,850,011
Unrestricted	(211,479,412)
Total net position	$ 182,405,380

See accompanying notes to financial statements.

VISALIA UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

		Program Revenues			Net (Expense) Revenues and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction	$ 241,681,035	$ 2,725,829	$ 45,532,533	$ 6,432,336	$ (186,990,337)
Instruction-related services:					
Supervision of instruction	15,199,890	48,439	5,919,647	-	(9,231,804)
Instructional library, media and technology	3,736,172	-	145,457	-	(3,590,715)
School site administration	35,900,043	-	3,231,593	-	(32,668,450)
Pupil services:					
Home-to-school transportation	6,941,979	-	-	-	(6,941,979)
Food services	13,373,957	583,950	12,152,529	-	(637,478)
All other pupil services	21,928,930	66,401	2,648,201	-	(19,214,328)
General administration:					
Data processing	6,502,143	-	111,065	-	(6,391,078)
All other general administration	13,191,343	39,489	1,569,901	-	(11,581,953)
Plant services	35,811,945	706,100	495,372	-	(34,610,473)
Ancillary services	8,530,222	-	2,994,950	-	(5,535,272)
Enterprise activities	81,474	-	-	-	(81,474)
Other outgo	2,952,199	1,707,175	2,263,367	-	1,018,343
Interest on long-term liabilities	4,838,191	-	-	-	(4,838,191)
Total governmental activities	$ 410,669,523	$ 5,877,383	$ 77,064,615	$ 6,432,336	(321,295,189)
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					46,086,476
Taxes levied for debt service					4,279,540
Taxes levied for other specific purposes					1,222,775
Federal and state aid not restricted to specific purposes					258,763,838
Interest and investment earnings					4,353,800
Interagency revenues					2,650,340
Miscellaneous					5,264,610
Total general revenues					322,621,379
Change in net position					1,326,190
Net position, July 1, 2019					181,079,190
Net position, June 30, 2020					$ 182,405,380

See accompanying notes to financial statements.

VISALIA UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	General Fund	Special Reserve For Capital Outlay Projects Fund	All Non-Major Funds	Total Governmental Funds
ASSETS				
Cash and investments:				
Cash in County Treasury	$ 71,726,977	$ 3,279,048	$ 34,361,659	$ 109,367,684
Cash on hand and in banks	15,933	-	103,920	119,853
Cash in revolving fund	62,518	-	-	62,518
Cash with Fiscal Agent	7,193,180	-	-	7,193,180
Receivables	61,009,280	-	4,822,984	65,832,264
Due from other funds	8,990,771	6,499,520	1,308,349	16,798,640
Stores inventory	246,003	-	316,865	562,868
Total assets	$ 149,244,662	$ 9,778,568	$ 40,913,777	$ 199,937,007
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 17,748,920	$ 520,226	$ 598,798	$ 18,867,944
Unearned revenue	8,974,887	-	1,204,060	10,178,947
Due to other funds	8,165,416	5,554,126	3,086,921	16,806,463
Total liabilities	34,889,223	6,074,352	4,889,779	45,853,354
Fund balances:				
Nonspendable	308,521	-	316,865	625,386
Restricted	23,738,260	3,704,216	35,707,133	63,149,609
Assigned	42,850,919	-	-	42,850,919
Unassigned	47,457,739	-	-	47,457,739
Total fund balances	114,355,439	3,704,216	36,023,998	154,083,653
Total liabilities and fund balances	$ 149,244,662	$ 9,778,568	$ 40,913,777	$ 199,937,007

See accompanying notes to financial statements.

VISALIA UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2020

Total fund balances - Governmental Funds		$ 154,083,653
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is $667,801,800 and the accumulated depreciation is $205,103,385 (Note 4).		462,698,415
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at June 30, 2020 consisted of (Note 6):		
General Obligation Bonds	$ (53,134,971)	
Unamortized premiums	(4,374,189)	
Accreted interest	(4,256,134)	
Certificate of Participation	(73,190,000)	
Capitalized lease obligations	(1,580,937)	
Net pension liability (Notes 8 and 9)	(328,119,000)	
Net OPEB liability (Note 10)	(85,062,340)	
Compensated absences	(1,016,799)	
		(550,734,370)
In the governmental funds, interest on long-term liabilities 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.		(1,351,815)
In government 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 pension are reported (Note 8 and 9).		
Deferred outflows of resources relating to pensions	$ 95,719,496	
Deferred inflows of resources relating to pensions	(15,847,000)	
		79,872,496
Internal service funds are used to conduct certain activities for which costs are charged to other funds. Assets and liabilities are reported within the governmental activities in the Statement of Net Position		39,238,984
In government 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 (Notes 10).		
Deferred outflows of resources relating to OPEB	$ 7,408,294	
Deferred inflows of resources relating to OPEB	(8,810,277)	
		(1,401,983)
Total net position - governmental activities		$ 182,405,380

See accompanying notes to financial statements.

VISALIA UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	General Fund	Special Reserve for Capital Outlay Projects Fund	All Non-Major Funds	Total Governmental Funds
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	$ 252,670,684	$ -	$ -	$ 252,670,684
Local sources	44,155,554	-	-	44,155,554
Total LCFF	296,826,238	-	-	296,826,238
Federal sources	19,008,188	-	11,988,636	30,996,824
Other state sources	30,808,891	-	16,127,756	46,936,647
Other local sources	20,874,233	1,440,598	11,408,170	33,723,001
Total revenues	367,517,550	1,440,598	39,524,562	408,482,710
Expenditures:				
Current:				
Certificated salaries	145,579,641	-	3,051,141	148,630,782
Classified salaries	49,971,410	-	6,525,764	56,497,174
Employee benefits	100,904,614	-	4,944,490	105,849,104
Books and supplies	17,422,355	395,334	5,333,596	23,151,285
Contract services and operating expenditures	26,499,195	758,729	1,334,268	28,592,192
Other outgo	2,952,199	-	-	2,952,199
Capital outlay	10,980,022	44,888,401	3,879,695	59,748,118
Debt service:				
Principal retirement	580,271	-	2,545,000	3,125,271
Interest	38,136	-	4,719,172	4,757,308
Total expenditures	354,927,843	46,042,464	32,333,126	433,303,433
Excess (deficiency) of revenues over (under) expenditures	12,589,707	(44,601,866)	7,191,436	(24,820,723)
Other financing (uses) sources:				
Transfers in	747,957	6,499,520	5,611,432	12,858,909
Transfers out	(9,971,321)	-	(2,887,588)	(12,858,909)
Proceeds from issuance of long-term debt	590,000	-	-	590,000
Total other financing (uses) sources	(8,633,364)	6,499,520	2,723,844	590,000
Change in fund balances	3,956,343	(38,102,346)	9,915,280	(24,230,723)
Fund balances, July 1, 2019	110,399,096	41,806,562	26,108,718	178,314,376
Fund balances, June 30, 2020	$ 114,355,439	$ 3,704,216	$ 36,023,998	$ 154,083,653

See accompanying notes to financial statements.

Net change in fund balances - Total Governmental Funds	$ (24,230,723)
Amounts reported for governmental activities in the statement of activities are different because:	
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	60,814,991
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(17,718,187)
The proceeds from debt are recognized as other financing sources in the governmental funds, but are reported as increases to liabilities in the government-wide statements.	(590,000)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 6).	3,125,271
In governmental funds, debt issued at a premium is recognized as an other financing source. In the government-wide statements debt issued as a premium is amortized as interest over the life of the debt (Note 6).	168,981
Accreted interest is an expense that is not recorded in the government funds (Note 6).	(718,709)
In governmental funds, interest on long-term liabilities is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred.	468,847
In government funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis.	(1,737,642)
In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was.	(21,515,472)

(Continued)

In the statement of activities, expenditures related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 6).	$ (143,629)
Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost recovery basis. The change in net position for the Self-Insurance Fund was:	3,402,462
Change in net position of governmental activities	$ 1,326,190

VISALIA UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION – PROPRIETARY FUND
SELF-INSURANCE FUND
June 30, 2020

ASSETS	
Current assets:	
Cash and investments:	
Cash in County Treasury	$ 17,001,059
Cash with Fiscal Agent	28,952,837
Due from other funds	8,325
Total current assets	45,962,221
LIABILITIES	
Current liabilities:	
Claims payable	6,722,735
Due to other funds	502
Total liabilities	6,723,237
NET POSITION	
Unrestricted	$ 39,238,984

See accompanying notes to financial statements.

VISALIA UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN NET POSITION – PROPRIETARY FUND
SELF-INSURANCE FUND
For the Year Ended June 30, 2020

Operating revenues:	
Self-insurance premiums	$ 47,018,206
Other local revenues	800,247
Total operating revenues	47,818,453
Operating expenses:	
Classified salaries	309,934
Employee benefits	177,808
Contract services	44,228,600
Total operating expense	44,716,342
Operating income	3,102,111
Non-operating income:	
Interest income	300,351
Change in net position	3,402,462
Total net position, July 1, 2019	35,836,522
Total net position, June 30, 2020	$ 39,238,984

See accompanying notes to financial statements.

VISALIA UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
SELF-INSURANCE FUND
For the Year Ended June 30, 2020

Cash flows from operating activities:	
Cash received from self-insurance premiums	$ 47,814,317
Cash paid for employee claims benefits	(46,223,654)
Cash paid for salaries and related benefits	(487,742)
Net cash provided by operating activities	1,102,921
Cash flows provided by imvesting activities:	
Interest income received	300,351
Increase in cash and investments	1,403,272
Cash and investments, July 1, 2019	44,550,624
Cash and investments, June 30, 2020	$ 45,953,896
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 3,102,111
Adjustments to reconcile operating income to net cash provided by operating activities:	
(Increase) decrease in:	
Receivables	4,189
Due from other funds	(8,325)
Increase (decrease) in:	
Claims liability	4,606
Due to other funds	(1,999,660)
Total adjustments	(1,999,190)
Net cash provided by operating activities	$ 1,102,921

See accompanying notes to financial statements.

VISALIA UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2020

	Agency Funds
ASSETS	
Cash in County Treasury	$ 13,887,986
Cash on hand and in banks (Note 2)	1,146,946
Total assets	$ 15,034,932
LIABILITIES	
Due to others	13,211,965
Due to student groups	1,822,967
Total liabilities	$ 15,034,932

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Visalia Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

Reporting Entity: The Board of Education is the level of government which has governance responsibilities over all activities related to public school education in the District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

The District receives funding from local, state and federal government sources and must comply with all of the requirements of these funding source entities.

The District and the Visalia Unified School District Financing Corporation (the "Corporation") have a financial and operational relationship which meets the reporting entity definition criteria of the *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100*, for inclusion of the Corporation as a blended component unit of the District. Accordingly, the financial activities of the Corporation have been included in the basic financial statements of the District.

The following are those aspects of the relationship between the District and the Corporation which satisfy *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100*, as amended:

A - Manifestation of Oversight

- The Corporation's Board of Directors were appointed by the District's Board of Education.
- The Corporation has no employees. The District's Superintendent and Assistant Superintendents function as agents of the Corporation. Neither receives additional compensation for work performed in this capacity.
- The District exercises significant influence over operations of the Corporation as it is anticipated that the District will be sole lessee of all facilities owned by the Corporation.

B - Accounting for Fiscal Matters

- All major financing arrangements, contracts, and other transactions of the Corporation must have the consent of the District.
- Any deficits incurred by the Corporation will be reflected in the lease payments of the District. Any surpluses of the Corporation revert to the District at the end of the lease period.
- It is anticipated that the District's lease payments will be the sole revenue source of the Corporation.
- The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the Corporation.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C - Scope of Public Service and Financial Presentation

- The Corporation was created for the sole purpose of financially assisting the District.
- The Corporation is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State. The Corporation was formed to provide financing assistance to the District for construction and acquisition of major capital facilities. Upon completion the District intends to occupy all Corporation facilities. When the Corporation's Certificates of Participation have been paid with state reimbursements and the District's developer fees, title of all Corporation property will pass to the District for no additional consideration.
- The Corporation's financial activity is included in the basic financial statements as the Capital Facilities and Debt Service Funds. Certificates of Participation issued by the Corporation are included in the government-wide financial statements.

Basis of Presentation - Financial Statements: The basic financial statements include a Management's Discussion and Analysis (MD & A) section providing an analysis of the District's overall financial position and results of operations, financial statements prepared using full accrual accounting for all of the District's activities, including infrastructure and a focus on the major funds.

Basis of Presentation - Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Assets and Liabilities.

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Allocation of indirect expenses: The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term liabilities is considered an indirect expense and is reported separately on the Statement of Activities.

Basis of Presentation - Fund Accounting: The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A - Major Funds

General Fund - The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

Special Reserve for Capital Outlay Projects Fund - The Special Reserve for Capital Outlay Projects Fund is a capital projects fund used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for capital outlay purposes.

B - Other Funds

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This classification includes the Adult Education, Child Development and Cafeteria Funds.

Capital Projects Funds - Capital Projects Funds are used to account for resources used for the acquisition or construction of capital facilities by the District. This classification includes the Building, Capital Facilities, and County School Facilities Funds.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. This classification includes the Bond Interest and Redemption and Debt Service Funds.

Self-Insurance Fund - The Self-Insurance Fund is an internal service fund used to account for the District's self- insured health and welfare plan.

Agency Funds - Agency Funds are Fiduciary Funds which are used to account for assets of others, for which the District has an agency relationship with the activity of the fund. This classification consists of the Warrant/Pass-Through and the Associated Student Body (ASB) Funds.

Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Accrual: Governmental activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual: The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting: By state law, the Board of Education must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Education complied with these requirements.

Receivables: Receivables are made up principally of amounts due from the State of California. The District has determined that no allowance for doubtful accounts was necessary as of June 30, 2020.

Stores Inventory: Inventories in the General and Cafeteria Funds are valued at average cost. Inventory recorded in the General and Cafeteria Funds consists mainly of school supplies and consumable supplies. Inventories are recorded as an expenditure at the time the individual inventory items are transferred from the warehouse to schools and offices.

Capital Assets: The District maintains a capitalization threshold of an original cost of $5,000 for equipment and $15,000 for buildings and improvements. When purchased, such assets are recorded at historical cost or estimated historical cost. Contributed assets are reported at acquisition value for the contributed asset. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation of capital assets is computed and recorded using the straight-line method. Estimated useful lives for the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment 2 to 15 years.

Compensated Absences: Compensated absences totaling $1,016,799 are recorded as a liability of the District. The liability is for the earned but unused benefits.

Accumulated Sick Leave: Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure or expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for certain STRP and PERF B employees, when the employee retires.

Unearned Revenue: Revenue from federal, state, and local special projects and programs is recognized when qualified expenditures have been incurred. Funds received but not earned are recorded as unearned revenue until earned.

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

Custodial Relationships: The Agency Funds represent the assets and liabilities of various student organizations within the District. As the funds are custodial in nature, no measurement of operating results is involved.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future periods, and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized deferred outflows of resources related to the recognition of the net pension and net OPEB liabilities, which are reported in the Statement of Net Position.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future periods and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized deferred inflows of resources related to the recognition of the net pension and net OPEB liabilities, which are reported in the Statement of Net Position.

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 State Teachers' Retirement Plan (STRP) and Public Employers Retirement Fund B (PERF B) and additions to/deductions from STRP's and PERF B's fiduciary net position have been determined on the same basis as they are reported by STRP and PERF B. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Certain investments are reported at fair value. Investments are reported at fair value. The following is a summary of pension amounts in aggregate:

	STRP	PERF B	Total
Deferred outflows of resources	$ 67,519,088	$ 28,200,408	$ 95,719,496
Deferred inflows of resources	$ 14,872,000	$ 975,000	$ 15,847,000
Net pension liability	$ 222,962,000	$ 105,157,000	$ 328,119,000
Pension expense	$ 51,660,837	$ 25,854,122	$ 77,514,959

Net Position: Net position is displayed in three components:

1. Net Investment in Capital Assets: Consist of capital assets, net of accumulated depreciation, reduced by outstanding related debt and adjusted for unspent debt proceeds and deferred outflows/inflows resulting from refunding debt instruments.

2. Restricted Net Position: Restrictions of the ending net position indicate the portions of net position not appropriable for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represents the portion of net position restricted to specific program expenditures. The restriction for debt service represents the portion of net position which the District plans to expend on debt repayment. The restriction for capital projects represents the portion of net position restricted for capital projects. It is the District's policy to first spend restricted net position when allowable expenditures are incurred.

3. Unrestricted Net Position: All other net position that do not meet the definitions of "restricted" or "net investments in capital assets".

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications: Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

A - Nonspendable Fund Balance:

The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash, prepaid expenditures and stores inventory.

B - Restricted Fund Balance:

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. These are the same restrictions used to determine restricted net position as reported in the government-wide, proprietary fund and fiduciary fund statements.

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. 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. Formal action by the Board of Education is required to remove any commitment from any fund balance. At June 30, 2020 there were no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate personnel with the authority to assign fund balances. At June 30, 2020, the Board of Education has designated the Chief Financial Officer with the authority to assign fund balances.

E - Unassigned Fund Balance:

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.

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. 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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Policy: The District has an expenditure policy relating to fund balances. For purposes of fund balance classifications, expenditures are to be spent from restricted fund balances first, followed in order by committed fund balances (if any), assigned fund balances and lastly unassigned fund balances.

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2020, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

Property Taxes: Secured property taxes are attached as an enforceable lien on property as of January 1. Taxes are due in two installments on or before November 15 and March 15. Unsecured property taxes are due in one installment on or before August 31. The County of Tulare bills and collects taxes for the District. Tax revenues are recognized by the District when received.

Encumbrances: Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. All encumbrances are liquidated as of June 30.

Eliminations and Reclassifications: In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Estimates: The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

(Continued)

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2020 consisted of the following:

	Governmental Funds	Proprietary Funds	Fiduciary Activities
Pooled Funds:			
Cash in County Treasury	$ 109,367,684	$ 17,001,059	13,887,986
Deposits:			
Cash on hand and in banks	119,853	-	1,146,946
Cash in revolving fund	62,518	-	-
Investments:			
Cash with Fiscal Agent	7,193,180	28,952,837	-
Total cash and investments	$ 116,743,235	$ 45,953,896	$ 15,034,932

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest bearing Tulare County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts 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.

In accordance with applicable state laws, the Tulare County Treasurer may invest in derivative securities. However, at June 30, 2020, the Tulare County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2020, the carrying amount of the District's accounts was $1,329,317 and the bank balance was $1,315,011. The total uninsured bank balance at June 30, 2020 was $389,229.

Investments: The Cash with Fiscal Agent in the General Fund represents funds held for future pension costs. These amounts are held in a trust administered by the Public Agency Retirement Services ("PARS") and have been recorded on the amortized cost basis.

Cash with Fiscal Agent in the Governmental and Proprietary Funds represents cash segregated for the future payment of self-insurance benefits. These amounts are held by a third party custodian in the District's name, and are recorded on the amortized cost basis.

(Continued)

NOTE 2 - CASH AND INVESTMENTS (Continued)

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2020, the District had no significant interest rate risk related to cash and investments held.

Credit Risk: The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2020, the District had no concentration of credit risk.

NOTE 3 - INTERFUND TRANSACTIONS

Interfund Activity: Transactions between funds of the District are recorded as interfund transfers, except for the Self-Insurance Fund activity which is recorded as income and expenditures of the Self-Insurance Fund and the funds which incur payroll costs, respectively. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables: Individual interfund receivable and payable balances at June 30, 2020 were as follows:

Fund	Interfund Receivables	Interfund Payables
Major Funds:		
General	$ 8,990,771	$ 8,165,416
Special Reserve for Capital Outlay Projects	6,499,520	5,554,126
Non-Major Funds:		
Adult Education	13,405	290,374
Child Development	8,997	153,805
Cafeteria	237,782	1,126,142
Building	1,048,165	1,500,000
Capital Facilities	-	16,600
Self Insurance	8,325	502
Totals	$ 16,806,965	$ 16,806,965

Transfers: Transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

(Continued)

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

Transfers for the 2019-2020 fiscal year were as follows:

Transfer from the General Fund to the Special Reserve for Capital Outlay Projects Fund to support construction costs.	$ 6,499,520
Transfer from the General Fund to the Debt Service Fund for Certificate of Participation payment.	2,412,353
Transfer from the General Fund to the Building Fund for initial Measure A project costs.	1,048,165
Transfer from the General Fund to the Cafeteria Fund to provide for operational support.	11,283
Transfer from the Adult Education Fund to the General Fund for indirect costs support.	243,143
Transfer from the Child Development Fund to the General Fund for indirect costs support.	125,561
Transfer from the Cafeteria Fund to the General Fund for indirect costs support.	379,253
Transfer from the Capital Facilities Fund to the Debt Service Fund for Certificates of Participation payment.	2,139,631
	$ 12,858,909

NOTE 4 – CAPITAL ASSETS

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

	Balance July 1, 2019	Additions	Deletions	Transfers	Balance June 30, 2020
Governmental Activities					
Non-depreciable:					
Land	$ 18,331,027	$ -	$ -	$ -	$ 18,331,027
Work-in-process	64,769,209	42,874,538	-	(36,205,269)	71,438,478
Depreciable:					
Buildings and improvements	491,888,919	15,015,807	-	36,128,613	543,033,339
Furniture and equipment	31,997,654	2,924,646	-	76,656	34,998,956
Totals, at cost	606,986,809	60,814,991	-	-	667,801,800
Less accumulated depreciation:					
Buildings and improvements	(166,248,473)	(15,406,713)	-	-	(181,655,186)
Furniture and equipment	(21,136,725)	(2,311,474)	-	-	(23,448,199)
Total accumulated depreciation	(187,385,198)	(17,718,187)	-	-	(205,103,385)
Capital assets, net	$ 419,601,611	$ 43,096,804	$ -	$ -	$ 462,698,415

(Continued)

NOTE 4 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental activities as follows:

Instruction	$11,363,148
Instruction supervision and administration	792,865
Instruction library, media, and technology	172,425
School site administration	1,879,312
Home-to-school transportation	337,049
Food services	4,842
All other pupil services	1,084,789
Ancillary services	234,702
All other general administration	472,989
Data processing	213,298
Plant Services	1,162,768
Total depreciation expense	$17,718,187

NOTE 5 - RISK MANAGEMENT/CLAIMS LIABILITY

The District's risk management activities for employee health benefits are recorded in the Self-Insurance Fund. District exposure to workers' compensation claims and property/liability are provided for through the purchase of insurance from a joint powers entity, Self-Insured Schools of California III (see Note 11).

The District records an estimated liability for health care. Health and welfare liabilities are based on estimates of the ultimate cost of reported claims including future claim adjustment expenses and an estimate for claims incurred but not reported based on historical experience. The Self-Insurance fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. Coverage amounts over property and liability, $250,000,000 and $50,000,000 respectively, have remained unchanged. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The liabilities for unpaid claims and claim adjustment expenses are as follows:

	June 30, 2020	June 30, 2019
Unpaid claim and claim adjustment expenses, beginning of the year	$ 6,718,129	$ 6,533,440
Total incurred claims and claim adjustment expenses	44,233,206	40,375,066
Total Payments	(44,228,600)	(40,190,377)
Total unpaid claims and claim adjustment expenses at end of year	$ 6,722,735	$ 6,718,129

(Continued)

NOTE 6 - LONG-TERM LIABILITIES

General Obligation Bonds

A summary of General Obligation Bonds payable as of June 30, 2020 follows:

Series	Interest Rate %	Maturity Date	Outstanding July 1, 2019	Current Year Issuance	Current Year Matured	Outstanding June 30, 2020
Series 2013	4.00-5.35%	2044	$ 30,574,971	$ -	$ 85,000	$ 30,489,971
Series 2015	4.00-5.00%	2041	23,345,000	-	700,000	22,645,000
			$ 53,919,971	$ -	$ 785,000	$ 53,134,971

On April 25, 2013, the District issued Election of 2012, Series 2013 General Obligation Bonds totaling $33,999,971. The Bonds were comprised of $22,725,000 which were issued as Current Interest Bonds, and $11,274,971 which were issued as Capital Appreciation Bonds. The proceeds of the Bonds are being used to update and construct District facilities. The Bonds bear interest at rates ranging from 4.00% to 5.35% and mature through August 2043.

On June 18, 2015, the District issued Election of 2012, Series 2015 General Obligation Bonds, totaling $26,100,000. The proceeds of the Bonds are being used to fund the modernization of existing schools and construction of new facilities. The bonds bear interest at rates ranging from 4.00% to 5.00% and are scheduled to mature through August 2040.

A summary of the future maturities of the District's General Obligation Bonds follows:

Year Ending June 30,	Principal	Interest	Total Debt Service
2021	$ 1,595,000	$ 1,867,688	$ 3,462,688
2022	1,740,000	1,784,313	3,524,313
2023	1,890,000	1,693,563	3,583,563
2024	2,055,000	1,594,938	3,649,938
2025	1,860,237	1,845,945	3,706,182
2026-2030	8,845,906	10,635,219	19,481,125
2031-2035	9,649,555	11,682,420	21,331,975
2036-2040	12,814,273	10,489,427	23,303,700
2041-2044	12,685,000	1,101,100	13,786,100
	$ 53,134,971	$ 42,694,613	$ 95,829,584

(Continued)

NOTE 6 - LONG-TERM LIABILITIES (Continued)

Certificates of Participation: In June 2015, the District issued Certificates of Participation (2015 COPs) in the amount of $18,435,000. The 2015 COPs bear interest at rates ranging from 3.0% to 5.0% and mature through September 1, 2038. Proceeds from the issuance of the 2015 COPs were used for the acquisition and improvement of District property and facilities and to refund on a current basis, the outstanding balance of the 2005 COPs and the remaining capitalized lease obligation for the Visalia Charter Independent School building.

In May 2018, the District issued Certificates of Participation (2018 COPs) in the amount of $59,780,000. The 2018 COPs bear interest at rates ranging from 3.0% to 5.0% and mature through May 1, 2048. Proceeds from the issuance of the 2018 COPs were used for the acquisition, construction, modernization, and installation of school facilities improvements.

Scheduled payments for the 2015 COPs are as follows:

Year Ending June 30,	COPs Payments
2021	$ 1,252,063
2022	1,291,288
2023	1,338,413
2024	1,386,163
2025	1,341,663
2026-2030	6,341,875
2031-2035	5,084,631
2036-2039	3,223,000
Total payments	21,259,096
Less amount representing interest	(5,579,096)
Net present value of minimum payments	$ 15,680,000

Scheduled payments for the 2018 COPs are as follows:

Year Ending June 30,	COPs Payments
2021	$ 3,342,050
2022	3,345,050
2023	3,344,800
2024	3,343,700
2025	3,341,400
2026-2030	16,717,350
2031-2035	16,722,900
2036-2040	16,719,150
2041-2045	16,717,738
2046-2048	10,032,000
Total payments	93,626,138
Less amount representing interest	(36,116,138)
Net present value of minimum payments	$ 57,510,000

(Continued)

NOTE 6 - LONG-TERM LIABILITIES (Continued)

Capitalized Lease Obligations: The District leases a building, print shop, and buses under agreements which provide either (a) for title to pass upon expiration of the lease period or (b) provide the District with a purchase agreement upon the expiration of the lease period. As of June 30, 2020, the historical cost of capital assets acquired in connection with the leases totaled $2,451,993 and the accumulated depreciation was $633,979.

Future yearly payments on the capitalized lease obligations are as follows:

Year Ending June 30,	Lease Payments
2021	$ 527,824
2022	527,825
2023	406,708
2024	126,196
2025	63,098
Total payments	1,651,651
Less amount representing interest	(70,714)
Net present value of minimum lease payments	$ 1,580,937

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2020 is shown below:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020	Amounts Due Within One Year
Governmental Activities					
Debt:					
General Obligation Bonds	$ 53,919,971	$ -	$ 785,000	$ 53,134,971	$ 1,595,000
Unamortized premiums	4,543,170	-	168,981	4,374,189	172,452
Accreted interest	3,537,425	718,709	-	4,256,134	-
Certficiates of Participation	74,950,000	-	1,760,000	73,190,000	1,885,000
Capitalized lease obligations	1,571,208	590,000	580,271	1,580,937	494,767
Other Long-Term Liabilities:					
Net pension liability (Note 8 & 9)	312,875,000	15,244,000	-	328,119,000	-
Net OPEB Liability (Note 10)	91,005,465	-	5,943,125	85,062,340	-
Compensated absences	873,170	143,629	-	1,016,799	-
	$ 543,275,409	$ 16,696,338	$ 9,237,377	$ 550,734,370	$ 4,147,219

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the Certificates of Participation are made from the Debt Service Fund. Payments on the capitalized lease obligations are made from the General Fund. Payments towards on the net OPEB liability, net pension liability, and compensated absences are made from the fund for which the related employee worked.

(Continued)

NOTE 7 - FUND BALANCES

Fund balances, by category, at June 30, 2020 consisted of the following:

	General Fund	Special Reserve for Capital Outlay Projects Fund	All Non-Major Funds	Total
Nonspendable:				
Revolving cash fund	$ 62,518	$ -	$ -	$ 62,518
Stores inventory	246,003	-	316,865	562,868
Subtotal nonspendable	308,521	-	316,865	625,386
Restricted:				
Legally restricted:				
Grants	23,738,260	-	-	23,738,260
Adult education operations	-	-	7,147,518	7,147,518
Child development operations	-	-	504,750	504,750
Cafeteria operations	-	-	2,356,606	2,356,606
Capital projects	-	3,704,216	16,848,248	20,552,464
Debt service	-	-	8,850,011	8,850,011
Subtotal restricted	23,738,260	3,704,216	35,707,133	63,149,609
Assigned:				
Other postemployment benefits	24,178,733	-	-	24,178,733
Pension reserves	7,193,180	-	-	7,193,180
Golden West Modernization	2,655,000	-	-	2,655,000
LCAP Balances Carry-over	5,559,409	-	-	5,559,409
Site donations carryover	673,627	-	-	673,627
LCAP reserves	2,590,970	-	-	2,590,970
Subtotal assigned	42,850,919	-	-	42,850,919
Unassigned:				
Designated for economic uncertainty	47,457,739	-	-	47,457,739
Total fund balances	$ 114,355,439	$ 3,704,216	$ 36,023,998	$ 154,083,653

(Continued)

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

Plan Description: Teaching-certified employees of the District are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at http://www.calstrs.com.

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

- 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 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

The Defined Benefit (DB) Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

CalSTRS 2% at 60

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.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any 36 consecutive months of credited service.

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

CalSTRS 2% at 62

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.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for 36 consecutive months of credited service.

Contributions: Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

In June 2019, California Senate Bill 90 (SB 90) was signed into law and appropriated approximately $2.2 billion in fiscal year 2018–19 from the state's General Fund as contributions to CalSTRS on behalf of employers. The bill requires portions of the contribution to supplant the amounts remitted by employers such that the amounts remitted will be 1.03 and 0.70 percentage points less than the statutorily required amounts due for fiscal years 2019–20 and 2020–21, respectively. The remaining portion of the contribution is allocated to reduce the employers' share of the unfunded actuarial obligation of the DB Program.

California Assembly Bill 84, Chapter 16, Statutes of 2020, (AB 84) was signed into law in June 2020 and revised certain provisions of Teachers' Retirement Law enacted by SB 90. Specifically, AB 84 repurposed the aforementioned $1.6 billion contribution originally intended to reduce employers' long-term liabilities, to further supplant employer contributions through fiscal year 2021-22. Pursuant to AB 84, employers will remit contributions to CalSTRS based on a rate that is 2.95% less than the statutory rate for fiscal year 2020-21 and 2.18% less than the rate set by the board for fiscal year 2021-22. Any remaining amounts must be allocated to reduce the employers' share of the unfunded actuarial obligation of the DB Program. The rate reduction for fiscal year 2019-20 under SB 90 was not changed by AB 84. The employer contribution rates set in statute and the CalSTRS board's authority to adjust those rates starting in fiscal year 2021-22 under the CalSTRS Funding Plan were not changed by the passage of SB 90 or AB 84.

A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2019-20 . Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 10.205 percent of applicable member earnings for fiscal year 2019-20.

In general, member contributions cannot increase unless members are provided with some type of "comparable advantage" in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2 percent annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this "comparable advantage," the member contribution rates have been increased by an amount that covers a portion of the cost of the 2 percent annual benefit adjustment.

According to current law, the contribution rate for CalSTRS 2% at 62 members is adjusted if the normal cost increases or decreases by more than 1 percent since the last time the member contribution rate was set. Based on the June 30, 2017, valuation adopted by the board in May 2018, the increase in normal cost was greater than 1 percent. Therefore, contribution rates for CalSTRS 2% at 62 members will increase by 1 percent effective July 1, 2018.

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Employers – 17.10 percent of applicable member earnings. This rate reflects the original employer contribution rate of 18.13 percent under AB1469, reduced for the 1.03 percentage points to be paid on behalf of employers pursuant to SB 90.

Pursuant to AB 1469, employer contributions will increase from 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The legislation also gives the board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

The CalSTRS employer contribution rate increases effective for fiscal year 2019-20 through fiscal year 2045-46 are summarized in the table below:

Effective Date	Prior Rate(1)	Increase	Total
July 01, 2019	8.25%	9.88%	18.13%(1)
July 01, 2020	8.25%	10.85%	19.10%(2)
July 01, 2021 to June 30, 2046	8.25%	(3)	(3)
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

(1) This rate does not reflect the reduction of employer contributions to be paid by the employer for fiscal year 2019–20 by 1.03 percentage points pursuant to SB 90.
(2) This rate does not reflect the reduction of employer contributions to be paid by the employer for fiscal year 2020–21 by 2.95 percentage points pursuant to SB 90 and AB 84.
(3) The CalSTRS Funding Plan authorizes the board to adjust the employer contribution rate up or down 1% each year, but no higher than 20.25% total and no lower than 8.25%.

The District contributed $24,695,088 to the plan for the fiscal year ended June 30, 2020.

State – 10.328 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

Also as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046.

The state's base contribution of the Defined Benefit Program is calculated based on creditable compensation from two fiscal years prior. The state rate increased to 5.811% on July 1, 2019, to continue paying down the unfunded liabilities associated with the benefits structure that was in place in 1990 prior to certain enhancements in benefits reductions in contributions. Additionally, the enactment SB 90 will result in future supplemental contributions to be made by the state to pay down its portion of the unfunded actuarial obligation of the Defined Benefit Program in fiscal year 2019-20 through 2022-23.

(Continued)

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS state contribution rates effective for fiscal year 2019 -2020 and beyond are summarized in the table below:

Effective Date	Base Rate	AB 1469 Increase For 1990 Benefit Structure	SBMA Funding[1]	Total State Appropriation to DB Program
July 01, 2019	2.017%	5.811%	2.50%	10.328%[2]
July 01, 2020	2.017%	5.811%[3]	2.50%	10.328%[2]
July 01, 2020 to June 30, 2046	2.017%	[4]	2.50%	[4]
July 01, 2046 and thereafter	2.017%	[5]	2.50%	[5]

(1) This rate does not include the $72 million reduction in accordance with Education Code Section 22954.
(2) This rate does not include the $2.2 billion supplemental state contribution on behalf of employers pursuant to SB 90.
(3) In May 2020, the CalSTRS board exercised its limited authority to increase the state contribution rate by 0.5 percent of the creditable compensation effective July 1, 2020\. However, pursuant to AB 84, the state suspended the board's rate-setting authority for state contributions for fiscal year 2020-21, thereby negating the board's rate increase of 0.5%.
(4) The CalSTRS board has limited authority to adjust state contribution rates annually through June 30, 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0 percent.
(5) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining 1990 unfunded actuarial obligation.

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

At June 30, 2020, 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	$ 222,962,000
State's proportionate share of the net pension liability associated with the District	121,642,000
Total	$ 344,604,000

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2019, the District's proportion was 0.247 percent, which was an increase of 0.008 percent from its proportion measured as of June 30, 2018.

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

For the year ended June 30, 2020, the District recognized pension expense of $51,660,837 and revenue of $20,480,729 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 563,000	$ 6,283,000
Changes of assumptions	28,200,000	-
Net differences between projected and actual earnings on investments	-	8,589,000
Changes in proportion and differences between District contributions and proportionate share of contributions	14,061,000	-
Contributions made subsequent to measurement date	24,695,088	-
Total	$ 67,519,088	$ 14,872,000

$24,695,088 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2021	$ 7,849,983
2022	$ 1,895,983
2023	$ 7,293,483
2024	$ 9,255,817
2025	$ 1,416,567
2026	$ 240,167

Differences between expected and actual experience, changes in assumptions, and changes in proportion are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2019 measurement date. Deferred outflows and inflows related to differences between projected and actual earrings on plan investments are netted and amortized over a closed 5-year period.

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

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

Valuation Date	June 30, 2018
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

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

The 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 as an input to the process. The actuarial investment rate of return assumption was adopted by the CalSTRS board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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

* 20-year geometric average

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (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 increase 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 STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine 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	$ 332,009,000	$ 222,962,000	$ 132,542,000

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

(Continued)

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B

General Information about the Public Employer's Retirement Fund B

Plan Description: The schools cost-sharing multiple-employer defined benefit pension plan Public Employer's Retirement Fund B (PERF B) is administered by the California Public Employees' Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at:

https://www.calpers.ca.gov/docs/forms-publications/cafr- 2019.pdf

Benefits Provided: The benefits for the defined benefit plans 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 (10 years for State Second Tier members) of credited service.

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when district's first join the PERF B, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to $863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2020 were as follows:

Members - The member contribution rate was 7.00 percent of applicable member earnings for fiscal year 2019-20.

Employers - The employer contribution rate was 19.72 percent of applicable member earnings.

The District contributed $10,817,408 to the plan for the fiscal year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of $105,157,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2019, the District's proportion was 0.361 percent, which was an increase of 0.012 percent from its proportion measured as of June 30, 2019.

(Continued)

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

For the year ended June 30, 2020, the District recognized pension expense of $25,854,122. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 7,639,000	$ -
Changes of assumptions	5,006,000	-
Net differences between projected and actual earnings on investments	-	975,000
Changes in proportion and differences between District contributions and proportionate share of contributions	4,738,000	-
Contributions made subsequent to measurement date	10,817,408	-
Total	$ 28,200,408	$ 975,000

$10,817,408 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2021	$ 11,299,667
2022	$ 3,187,667
2023	$ 1,644,166
2024	$ 276,500

Differences between expected and actual experience, changes in assumptions, and changes in proportion are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2019, measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

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

Valuation Date	June 30, 2018
Experience Study	June 30, 1997 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.50%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.50% thereafter

The mortality table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90% of Scale MP 2016. For more details on this table, please refer to the 2017 experience study report.

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

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.

Asset Class	Long -Term* Assumed Asset Allocation	Expected Real Rate of Return Years of 1 - 10 (1)	Expected Real Rate of Return Years of 11+ (2)
Global Equity	50%	4.80%	5.98%
Fixed Income	28	1.00	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8	6.30	7.23
Real Estate Assets	13	3.75	4.93
Liquidity	1	-	(0.92)

* 10-year geometric average
1. An expected inflation rate of 2.00% used for this period
2. An expected inflation rate of 2.92% used for this period

NOTE 9 – NET PENSION LIABILITY – PUBLIC EMPLOYER'S RETIREMENT FUND B (Continued)

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

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, CalPERS took into account both short-term and long-term market return expectations as well as the expected cash flows of the Plan. 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 Plan's 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. The expected rate of return was set by calculating the rounded 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.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	$ 151,577,000	$ 105,157,000	$ 66,649,000

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report.

(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

General Information about the Other Postemployment Benefits Plan (OPEB)

Plan Description: In addition to the pension benefits described in Notes 8 and 9, the District provides healthcare benefits to eligible employees who retire from the District, as part of a single-employer defined benefit postemployment health care plan (Plan). The Plan is administered by the District and allows employees who retire after having achieved retirement eligibility requirements to continue receiving medical insurance coverage. The District's Board of Education has the authority to establish or amend the benefit terms offered by the Plan. The District's Board of Education also retains the authority to establish the requirements for paying for the Plan's benefits as they come due. As of June 30, 2020 the District has accumulated assets in a qualified trust provided by Public Agency Retirement Services (PARS) for the purpose of paying the benefits related to the District's net OPEB liability. Assets contributed to the plan are included in the PARS trust financial statements. Copies of PARS independent financial statements may be obtained from the Public Agency Retirement Services – 4350 Von Karman Avenue, Newport Beach, CA 92660.

Benefits Provided*:* In accordance with contracts between the District and the respective employee groups, employees who retire on or after reaching age 55 with at least 15 years of service, are entitled to benefits through the Plan, up to age 65. Under the Plan, employees who retire from a full-time position receive District-paid medical benefits equal to the coverage provided to full-time active employees, excluding life insurance benefits. Employees who retire from the District having worked more than 50% but less than 75% of full-time are entitled to pro-rated benefits, which vary by employee group. Employees who retire from the District having worked less than 50% of full-time are not entitled to receive benefits under the Plan.

Certificated and Management Employees: Certificated and management employees who retire from the District having worked more than 50% but less than 75% of full-time, receive District contributions towards medical benefits equal to one-half of the coverage provided to employees who retire from a full-time position. Required contribution amounts for certificated and management retirees is $1,260 and $792 per year, respectively. Retirees must contribute $756 per year for a covered spouse, in addition to $192 per covered dependent, up to a maximum of three dependents.

Classified Employees: Classified employees who retire from the District having worked at least 3 hours but less than 4 hours per day receive contributions towards medical benefits equal to 25 percent of the coverage provided to classified employees who retire from a full-time position. Classified employees working at least 4 hours but less than 5 hours per day receive contributions towards medical benefits equal to 50 percent of the coverage provided to classified employees who retire from a full-time position. Classified employees working at least 5 hours but less than 6 hours per day receive contributions towards medical benefits equal to 50 percent of the coverage provided to classified employees who retire from a full-time position.

The District's premium rates being charged to these retirees are lower than the expected cost for a retiree population under age 65. Thus, an implicit subsidy exists as a result of this difference between the actual cost and the true retiree cost.

Contributions*:* California Government Code specifies that the District's contribution requirements for covered employees are established and may be amended by the Governing Board. District and retiree contributions to the cost of healthcare vary depending on employee group in which the retiree worked and percentage of full-time employment of the individual. Contributions to the Plan from the District were $6,036,957 for the year ended June 30, 2020. Contributions by the District to the plan are voluntary. Employees are not required to contribute to the OPEB plan.

(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPEB Plan Investments: The discount rate of 5.00% was determined using the following asset allocation and assumed rate of return, adjusted for conservatism:

Asset Class	Percentage of Portfolio	Rate of Return*
US Large Cap	40%	7.8%
US Mid Cap	20	7.8
Long-Term Corporate Bonds	20	5.3
Long-Term Government Bonds	15	4.5
Intermediate-Term Government Bonds	5	4.5

* Geometric average

Rolling periods of time for all asset classes in combination we used to appropriately reflect correlation between asset classes. This means that the average returns for any asset class do not necessarily reflect the averages over time individually, but reflect the return for the asset class for the portfolio average. Additionally, the historic 30 year real rates of return for each asset class along with the assumed long-term inflation assumption was used to set the discount rate. The investment return was offset by assumed investment expenses of 25 basis points. It was further assumed that contributions to the plan would be sufficient to fully fund the obligation over a period not to exceed 30 years.

Employees Covered by Benefit Terms: The following is a table of plan participants included in the District's most recent actuarial valuation:

	Number of Participants
Inactive Plan members, covered spouses, or beneficiaries currently receiving benefits	326
Active employees	2,425
	2,751

Net OPEB Liability

The District’s net OPEB liability was measured as of June 30, 2019 based on an actuarial valuation as of June 30, 2019.

Actuarial Assumptions: The total OPEB liability in the District's actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2019
Actuarial Method	Entry Age actuarial cost method, level percentage of payroll.
Discount Rate	5.00%.

(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Long-Term Investment Rate of Return	The long-term rate of return on investments was determined to be 5.00%, and is based on the PARS' expected long-term mean rate of return.
Mortality Rates	Mortality rates are taken from the 2017 CalPERS OPEB Assumptions Model (for classified employees) and from the 2016 valuation of CalSTRS (for certificated employees).
Health Care Increases	Medical insurance premiums are assumed to increase by 5.00% in fiscal 2020 onwards. Future retiree contributions are assumed to remain unchanged after 2018.
Turnover/Retirement Rates	Termination and retirement rates were taken from the most recent experience studies for CalPERS (2017) and CalSTRS (2016).
Inflation Rate	2.75% per year
Salary Increases	3.00% per year
Coverage Elections	100% of eligible employees are assumed to elect coverage upon retirement, and to remain covered under the District plans until age 65.
Medicare Coverage	All current and future participating retirees and spouses will qualify for Medicare coverage and enroll in Parts A and B upon age 65.
Medical Claims	Medical claims were estimated based on the true per person costs of coverage. The age- specific rates were developed to reproduce the same aggregate premiums that would be paid to the carriers for all current employee and retirees

Age	Cost
40	$ 11,397
45	14,279
50	17,685
55	21,090
60	25,806
64	25,806

Discount Rate: All future benefit payments were discounted using a discount rate of 5.00%. As the plan is funded by an irrevocable trust, and the plans' projected contributions and net position are expected to fully cover future benefit payments, the discount rate has been set to equal the long-term rate of return on plan investments. The long-term mean rate of return on plan investments of 5.00% calculated based on the PARS expected long-term mean rate of return.

(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Total Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at July 1, 2019	$ 93,524,158	$ 2,518,693	$ 91,005,465
Changes for the year:			
Service cost	5,118,040	-	5,118,040
Interest	4,525,284	-	4,525,284
Differences between actual and expected experience	(7,863,406)	-	(7,863,406)
Changes in assumptions	(1,567,977)	-	(1,567,977)
Employer contributions	-	6,036,957	(6,036,957)
Net investment income	-	118,109	(118,109)
Benefits paid to retirees	(6,036,957)	(6,036,957)	-
Net change	(5,825,016)	118,109	(5,943,125)
Balance at June 30, 2020	$ 87,699,142	$ 2,636,802	$ 85,062,340

There were no changes between the measurement date and the year ended June 30, 2020 which had a significant effect on the District's total OPEB liability.

Fiduciary Net Position as a % of the total OPEB liability, at June 30, 2020 3.0%

Sensitivity of the Net OPEB Liability to changes in the Discount Rate: The following presents the Net OPEB Liability of the District, as well as what the District's Net OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease (4.0%)	Current Discount Rate (5.0%)	1% Increase (6.0%)
Net OPEB liability	$ 93,175,624	$ 85,062,340	$ 77,798,568

Sensitivity of the Net OPEB Liability to changes in the Healthcare Cost Trend Rates: The following presents the Net OPEB Liability of the District, as well as what the District's Net OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

	1% Decrease (4.0%)	Healthcare Cost Trend Rates Rate (5.0%)	1% Increase (6.0%)
Net OPEB liability	$ 76,049,425	$ 85,062,340	$ 95,686,698

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

For the year ended June 30, 2020, the District recognized OPEB expense of $8,691,206. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 7,224,105
Changes in assumptions	-	1,440,499
Net differences between projected and actual earnings on investments	6,261	145,673
Benefits paid subsequent to measurement date	7,402,033	-
Total	$ 7,408,294	$ 8,810,277

$7,402,033 reported as deferred outflows of resources related to benefits paid subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	
2021	$ (826,183)
2022	$ (826,181)
2023	$ (788,951)
2024	$ (765,213)
2025	$ (766,779)
Thereafter	$ (4,830,709)

Deferred inflows related to changes between expected and actual experience and changes in assumptions are recognized over the average of the expected remaining service lives of all employees which is 12.3 years. Differences between projected and actual earnings on plan investments and changes in assumptions are netted and amortized over a closed 5-year period.

NOTE 11 - JOINT POWERS AUTHORITIES

The District is a member of the Schools Association For Excess Risk (SAFER), Self-Insured Schools of California III (SISC III), Tulare County Schools Insurance Group (TCSIG), the Tulare County School's Self-Insurance Authority (TCSSIA), the Protected Insurance Program for Schools (PIPS), and Nor-Cal Relief (NCR) public entity risk polls. The District pays an annual premium to each entity for its excess health, worker's compensation, and property liability coverage. The relationship between the District and the pools is such that they are not component units of the District for financial reporting purposes. The District is also a member of the Visalia Civic Facilities Authority Joint Powers Authority (VCFJPA). No audited financial information is available for the VCFJPA as of June 30, 2020 however the financial activity of the JPA is not expected to be significant to the District. There have been no significant reductions in insurance coverage from coverage provided in the prior year.

Condensed audited financial information for the District's JPAs at June 30, 2020 for SAFER, PIPS, NCR, TCSIG and TCSSIA, and September 30, 2019 (most recent information available) for SISC III are as follows:

	SAFER	SISC III	TCSIG	TCSDSIA	PIPS	NCR
Total assets	$ 38,625,474	$ 744,080,723	$ 2,660,532	$ 2,087,455	$ 146,482,024	$ 64,919,272
Total liabilities	$ 36,969,875	$ 217,105,846	$ 1,348,289	$ 701,320	$ 104,409,659	$ 48,689,344
Net position	$ 1,655,599	$ 526,974,877	$ 1,312,243	$ 1,386,135	$ 42,072,365	$ 16,229,928
Total revenues	$ 99,122,689	$ 2,493,302,675	$ 25,820,008	$ 3,871,180	$ 330,953,357	$ 66,275,123
Total expenses	$ 88,729,082	$ 2,411,333,172	$ 25,533,078	$ 3,723,191	$ 322,790,995	$ 67,174,832
Change in net position	$ 10,393,607	$ 81,969,503	$ 286,930	$ 147,989	$ 8,162,362	$ (899,709)

NOTE 12 - COMMITMENTS AND CONTINGENCIES

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

The District has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements of future revenue offsets subsequently determined will not have a material effect on the District's financial position or results of operations.

Construction Commitments: As of June 30, 2020, the District has approximately $9.9 million in outstanding commitments on construction contracts.

NOTE 13 – COVID-19 PANDEMIC

In December 2019, a novel strain of coronavirus surfaced (COVID-19) and spread around the world, with resulting business and social disruption. In response to the pandemic and in compliance with various state and local ordinances, the District closed physical campuses and transitioned to a distance learning model. On March 13, 2020, the Governor of California issued Executive Order N-26 – 20, guaranteeing state funding to support the continued payment of salaries and benefits to all employees through June 30, 2020.

The operations and business results of the District could be adversely affected in the future including a reduction in the level of funding and impact to the timing of cash flows. In addition, significant estimates may be adversely impacted by national, state and local events designed to contain the coronavirus. Debt ratings for outstanding issuances may further be impacted. For the 2021 school year, the District is offering instruction in formats consistent with local health guidelines. Throughout the pandemic the District has put into practice a number of safety measures to protect students and employees and will continue to revise them as needed.

NOTE 14 – SUBSEQUENT EVENT

In July 2020, the District issued Election of 2018 General Obligation Bonds, Series 2020 in the amount of $35,170,000. The bonds mature through August 1, 2044 with interest rates ranging from 2.0% to 5.0% percent.

REQUIRED SUPPLEMENTARY INFORMATION

VISALIA UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2020

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	$ 253,583,468	$ 252,696,682	$ 252,670,684	$ (25,998)
Local sources	41,191,291	44,283,973	44,155,554	(128,419)
Total LCFF	294,774,759	296,980,655	296,826,238	(154,417)
Federal sources	20,170,492	25,729,675	19,008,188	(6,721,487)
Other state sources	17,399,877	33,213,242	30,808,891	(2,404,351)
Other local sources	10,448,258	20,335,399	20,874,233	538,834
Total revenues	342,793,386	376,258,971	367,517,550	(8,741,421)
Expenditures:				
Current:				
Certificated salaries	143,791,812	148,115,874	145,579,641	2,536,233
Classified salaries	52,250,792	50,546,914	49,971,410	575,504
Employee benefits	92,063,044	102,221,318	100,904,614	1,316,704
Books and supplies	17,659,926	32,427,130	17,422,355	15,004,775
Contract services and operating expenditures	22,280,207	31,593,396	26,499,195	5,094,201
Other outgo	2,942,946	2,998,985	2,952,199	46,786
Capital outlay	2,355,747	15,406,981	10,980,022	4,426,959
Debt service:				
Principal retirement	477,221	571,079	580,271	(9,192)
Interest	37,718	48,261	38,136	10,125
Total expenditures	333,859,413	383,929,938	354,927,843	29,002,095
Excess (deficiency) of revenues over (under) expenditures	8,933,973	(7,670,967)	12,589,707	20,260,674
Other financing (uses) sources:				
Transfers in	1,037,728	1,118,996	747,957	(371,039)
Transfers out	(4,685,431)	(4,685,431)	(9,971,321)	(5,285,890)
Proceeds from issuance of long-term debt	-	589,288	590,000	712
Total other financing (uses) sources	(3,647,703)	(2,977,147)	(8,633,364)	(5,656,217)
Change in fund balance	5,286,270	(10,648,114)	3,956,343	14,604,457
Fund balance, July 1, 2019	110,399,096	110,399,096	110,399,096	-
Fund balance, June 30, 2020	$ 115,685,366	$ 99,750,982	$ 114,355,439	$ 14,604,457

See accompanying note to required supplementary information.

VISALIA UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S NET
OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY
For the Year Ended June 30, 2020

Last 10 Fiscal Years

	2018	2019	2020
Total OPEB liability			
Service cost	$ 4,824,244	$ 4,968,971	$ 5,118,040
Interest	4,279,826	4,372,579	4,525,284
Differences between actual and expected experience	-	-	(7,863,406)
Assumption changes	-	-	(1,567,977)
Benefit payments	(7,960,101)	(6,537,924)	(6,036,957)
Net change in total OPEB liability	1,143,969	2,803,626	(5,825,016)
Total OPEB liability, beginning of year	89,576,563	90,720,532	93,524,158
Total OPEB liability, end of year (a)	$ 90,720,532	$ 93,524,158	$ 87,699,142
Plan fiduciary net position			
Contributions - employer	$ 7,960,101	$ 6,537,924	$ 6,036,957
Net investment income	286,142	232,967	118,109
Benefit payments	(7,960,101)	(6,537,924)	(6,036,957)
Net change in plan fiduciary net position	286,142	232,967	118,109
Plan fiduciary net position, beginning of year	1,999,584	2,285,726	2,518,693
Plan fiduciary net position, end of year (a)	$ 2,285,726	$ 2,518,693	$ 2,636,802
Net OPEB liability, end of year	$ 88,434,806	$ 91,005,465	$ 85,062,340
Covered employee payroll	$ 169,274,768	$ 180,359,723	$ 191,626,869
Plan fiduciary net position as a percentage of covered-employee payroll	1.35%	1.40%	1.38%

(a) This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively. The amounts presented for each fiscal year were determined as of the yearend that occurred one year prior. All years prior to 2018 are not available.

See accompanying note to required supplementary information.

VISALIA UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2020

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020
District's proportion of the net pension liability	0.220%	0.225%	0.230%	0.229%	0.239%	0.247%
District's proportionate share of the net net pension liability	$ 128,708,000	$ 151,391,000	$ 185,666,000	$ 211,382,000	$ 219,911,000	$ 222,962,000
State's proportionate share of the net pension liability associated with the District	77,720,000	80,069,000	105,706,000	125,053,000	125,910,000	121,642,000
Total net pension liability	$ 206,428,000	$ 231,460,000	$ 291,372,000	$ 336,435,000	$ 345,821,000	$ 344,604,000
District's covered payroll	$ 98,100,000	$ 104,372,000	$ 114,403,000	$ 121,141,000	$ 128,590,000	$ 135,001,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131.20%	145.05%	162.29%	174.49%	171.02%	165.16%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%	70.99%	72.56%

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

All years prior to 2015 are not available.

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2020

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020
District's proportion of the net pension liability	0.285%	0.298%	0.312%	0.326%	0.349%	0.361%
District's proportionate share of the net pension liability	$ 32,390,000	$ 43,931,000	$ 61,677,000	$ 77,748,000	$ 92,964,000	$ 105,157,000
District's covered payroll	$ 29,950,000	$ 32,996,000	$ 37,465,000	$ 41,524,000	$ 45,957,000	$ 50,023,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.15%	133.14%	164.63%	187.24%	202.28%	210.22%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%	70.85%	70.05%

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

All years prior to 2015 are not available.

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2020

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020
Contractually required contribution	$ 9,268,239	$ 12,275,486	$ 15,239,531	$ 18,555,488	$ 21,978,106	$ 24,695,088
Contributions in relation to the contractually required contribution	(9,268,239)	(12,275,486)	(15,239,531)	(18,555,488)	(21,978,106)	(24,695,088)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 104,372,000	$ 114,403,000	$ 121,141,000	$ 128,590,000	$ 135,001,000	$ 136,211,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%	16.28%	17.10% *

* This rate reflects the original employer contribution rate of 18.13 percent under AB1469, reduced for the 1.03 percentage points to be paid on behalf of employers pursuant to SB 90.

All years prior to 2015 are not available.

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2020

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020
Contractually required contribution	$ 3,883,945	$ 4,438,484	$ 5,767,704	$ 7,137,659	$ 9,035,122	$ 10,817,408
Contributions in relation to the contractually required contribution	(3,883,945)	(4,438,484)	(5,767,704)	(7,137,659)	(9,035,122)	(10,817,408)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 32,996,000	$ 37,465,000	$ 41,524,000	$ 45,957,000	$ 50,023,000	$ 54,852,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%	18.06%	19.72%

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

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

B - Schedule of Changes in Net Other Postemployment Benefits (OPEB) Liability

The Schedule of Changes in Net OPEB Liability is presented to illustrate the elements of the District's net OPEB liability. There is a requirement to show information for 10 years. However, until a full 10 year trend is compiled, governments should present information for those years for which information is available. The District has accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's total OPEB Liability.

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

The Schedule of the District's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District's net Pension liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

D – Schedule of the District's Contributions

The Schedule of the District's Contributions is presented to illustrate the District's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

E – Changes of Benefit Terms

There are no changes in benefit terms reported in the Required Supplementary Information.

F - Changes of Assumptions

The discount rates used for the Public Employer's Retirement Fund B (PERF B) was 7.50, 7.65, 7.65, 7.15, 7.15 and 7.15 percent in the June 30, 2013, 2014, 2015, 2016, 2017 and 2018 actuarial reports, respectively.

The following are the assumptions for the State Teachers' Retirement Plan:

	Measurement period				
Assumptions	As of June 30 2019	As of June 30, 2018	As of June 30, 2017	As of June 30, 2016	As of June 30, 2015
Consumer price inflation	2.75%	2.75%	2.75%	3.00%	3.00%
Investment rate of return	7.10	7.10	7.10	7.60	7.60
Wage growth	3.50	3.50	3.50	3.75	3.75

SUPPLEMENTARY INFORMATION

VISALIA UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NON-MAJOR FUNDS
June 30, 2020

	Adult Education Fund	Child Develop-ment Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Debt Service Fund	Total
ASSETS									
Cash in County Treasury	$ 6,803,121	$ 656,869	$ 1,306,302	$ 801,835	$ 4,865,380	$ 11,078,141	$ 8,850,011	$ -	$ 34,361,659
Cash on hand and in banks	98,518	-	5,402	-	-	-	-	-	103,920
Receivables	658,695	1,166,571	1,989,124	-	1,008,594	-	-	-	4,822,984
Stores inventory	-	-	316,865	-	-	-	-	-	316,865
Due from other funds	13,405	8,997	237,782	1,048,165	-	-	-	-	1,308,349
Total assets	$ 7,573,739	$ 1,832,437	$ 3,855,475	$ 1,850,000	$ 5,873,974	$ 11,078,141	$ 8,850,011	$ -	$ 40,913,777
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	$ 94,548	$ 361,121	$ 55,862	$ -	$ 74,310	$ 12,957	$ -	$ -	$ 598,798
Unearned revenue	41,299	812,761	-	350,000	-	-	-	-	1,204,060
Due to other funds	290,374	153,805	1,126,142	1,500,000	16,600	-	-	-	3,086,921
Total liabilities	426,221	1,327,687	1,182,004	1,850,000	90,910	12,957	-	-	4,889,779
Fund balances:									
Nonspendable	-	-	316,865	-	-	-	-	-	316,865
Restricted	7,147,518	504,750	2,356,606	-	5,783,064	11,065,184	8,850,011	-	35,707,133
Total fund balance	7,147,518	504,750	2,673,471	-	5,783,064	11,065,184	8,850,011	-	36,023,998
Total liabilities and fund balances	$ 7,573,739	$ 1,832,437	$ 3,855,475	$ 1,850,000	$ 5,873,974	$ 11,078,141	$ 8,850,011	$ -	$ 40,913,777

VISALIA UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
ALL NON-MAJOR FUNDS
For the Year Ended June 30, 2020

	Adult Education Fund	Child Develop-ment Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Debt Service Fund	Total
Revenues:									
Federal sources	$ 380,248	$ 73,413	$ 11,534,975	$ -	$ -	$ -	$ -	$ -	$ 11,988,636
Other state sources	5,692,018	3,098,133	905,269	-	-	6,432,336	-	-	16,127,756
Other local sources	739,925	21,279	661,259	1,154	5,320,850	223,365	4,440,338	-	11,408,170
Total revenues	6,812,191	3,192,825	13,101,503	1,154	5,320,850	6,655,701	4,440,338	-	39,524,562
Expenditures:									
Current:									
Certificated salaries	2,707,927	343,214	-	-	-	-	-	-	3,051,141
Classified salaries	718,419	1,319,839	4,487,506	-	-	-	-	-	6,525,764
Employee benefits	1,684,859	544,622	2,715,009	-	-	-	-	-	4,944,490
Books and supplies	206,138	233,685	4,861,311	-	5,629	26,833	-	-	5,333,596
Contract services and operating expenditures	343,200	119,919	166,720	-	646,455	57,974	-	-	1,334,268
Capital outlay	53,652	516,157	202,422	1,049,555	1,147,989	909,920	-	-	3,879,695
Debt service:									
Principal Retirement	-	-	-	-	-	-	785,000	1,760,000	2,545,000
Interest	-	-	-	-	-	-	1,927,188	2,791,984	4,719,172
Total expenditures	5,714,195	3,077,436	12,432,968	1,049,555	1,800,073	994,727	2,712,188	4,551,984	32,333,126
Excess (deficiency) of revenues over (under) expenditures	1,097,996	115,389	668,535	(1,048,401)	3,520,777	5,660,974	1,728,150	(4,551,984)	7,191,436
Other financing sources (uses):									
Transfers in	-	-	11,283	1,048,165	-	-	-	4,551,984	5,611,432
Transfers out	(243,143)	(125,561)	(379,253)	-	(2,139,631)	-	-	-	(2,887,588)
Total other financing (uses) sources	(243,143)	(125,561)	(367,970)	1,048,165	(2,139,631)	-	-	4,551,984	2,723,844
Net change in fund balances	854,853	(10,172)	300,565	(236)	1,381,146	5,660,974	1,728,150	-	9,915,280
Fund balance, July 1, 2019	6,292,665	514,922	2,372,906	236	4,401,918	5,404,210	7,121,861	-	26,108,718
Fund balance, June 30, 2020	$ 7,147,518	$ 504,750	$ 2,673,471	$ -	$ 5,783,064	$ 11,065,184	$ 8,850,011	$ -	$ 36,023,998

VISALIA UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended June 30, 2020

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Student Body Funds				
Elementary Schools				
Assets:				
Cash in County Treasury	$ 278,255	$ 167,977	$ 126,057	$ 320,175
Cash on hand and in banks	-	-	-	-
Total assets	$ 278,255	$ 167,977	$ 126,057	$ 320,175
Liabilities:				
Due to student groups	$ 278,255	$ 167,977	$ 126,057	$ 320,175
Middle Schools				
Assets:				
Cash in County Treasury	$ 296,592	$ 422,440	$ 376,619	$ 342,413
Cash on hand and in banks	-	-	-	-
Total assets	$ 296,592	$ 422,440	$ 376,619	$ 342,413
Liabilities:				
Due to student groups	$ 296,592	$ 422,440	$ 376,619	$ 342,413
High Schools				
Assets:				
Cash in County Treasury	$ 23,840	$ 8,222	$ 18,629	$ 13,433
Cash on hand and in banks	1,193,354	2,525,299	2,571,707	1,146,946
Total assets	$ 1,217,194	$ 2,533,521	$ 2,590,336	$ 1,160,379
Liabilities:				
Due to student groups	$ 1,217,194	$ 2,533,521	$ 2,590,336	$ 1,160,379
Total Student Body Funds				
Assets:				
Cash in County Treasury	$ 598,687	$ 598,639	$ 521,305	$ 676,021
Cash on hand and in banks	1,193,354	2,525,299	2,571,707	1,146,946
Total assets	$ 1,792,041	$ 3,123,938	$ 3,093,012	$ 1,822,967
Liabilities:				
Due to student groups	$ 1,792,041	$ 3,123,938	$ 3,093,012	$ 1,822,967

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended June 30, 2020

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Warrant/Pass-Through Fund				
Assets:				
Cash in County Treasury	$22,926,446	$23,441,410	$33,155,891	$13,211,965
Cash on hand and in banks	-	-	-	-
Total assets	$22,926,446	$23,441,410	$33,155,891	$13,211,965
Liabilities:				
Due to other funds	$22,926,446	$23,441,410	$33,155,891	$13,211,965
TOTAL AGENCY FUNDS				
Assets:				
Cash in County Treasury	$23,525,133	$24,040,049	$33,677,196	$13,887,986
Cash on hand and in banks	1,193,354	2,525,299	2,571,707	1,146,946
Total assets	$24,718,487	$26,565,348	$36,248,903	$15,034,932
Liabilities:				
Due to other funds	$22,926,446	$23,441,410	$33,155,891	$13,211,965
Due to student groups	1,792,041	3,123,938	3,093,012	1,822,967
Total liabilities	$24,718,487	$26,565,348	$36,248,903	$15,034,932

Visalia Unified School District was organized in 1885 and consists of an area comprising approximately 177 square miles. The District operates 26 elementary schools, 5 middle schools, 4 high schools, an adult school, a continuation high school, a community day school, and 4 charter schools. There were no changes in District boundaries during the year.

The Board of Education at June 30, 2020 was comprised of the following members:

GOVERNING BOARD

Name	Office	Term Expires
John L. Crabtree	President	2022
Juan R. Guerrero	Clerk	2022
Niessen E. Foster	Member	2020
William A. Fulmer	Member	2020
Walta S. Gamoian	Member	2022
Joy M. Naylor	Member	2022
Lucia D. Vazquez, Ed.D.	Member	2020

ADMINISTRATION

Tamara Ravalín Ed. D.
Superintendent

Dedi Somavia
Assistant Superintendent, Human Resources Development

Robert Gröeber
Assistant Superintendent, Administrative Services

Doug Cardoza
Assistant Superintendent, Instructional Services

Nathan Hernandez
Chief Financial Officer

VISALIA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2020

	Second Period Report (Original)	Second Period Report (Audited)*	Annual Report
DISTRICT			
Certificate Number	631B6563	97B3484A	8AB5BE41
Elementary:			
Transitional Kindergarten through Third	8,383	8,383	8,383
Forth through Sixth	6,198	6,198	6,198
Seventh and Eighth	4,235	4,235	4,235
Special Education	8	8	8
Total Elementary	18,824	18,824	18,824
Secondary:			
Ninth through Twelfth	7,729	7,729	7,729
Continuation	221	229	229
Total Secondary	7,950	7,958	7,958
District Totals	26,774	26,782	26,782

* Reflects revisions made by the District subsequent to the submission of the original Second Period Report of Attendance, based on an internal review of records.

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2020

	Second Period Report	Annual Report
CHARTER SCHOOL - CLASSROOM BASED		
Visalia Technical Early College		
Certificate Number	DF72488F	623E1CA8
Ninth through Twelfth	217	217
Global Learning Charter School		
Certificate Number	F96FCC29	B01AP17D
Transitional Kindergarten through Third	201	201
Fourth through Sixth	151	151
Seventh and Eighth	58	58
Subtotal Visalia Global Learning Charter School	410	410
Total Charter School Classroom Based	627	627
CHARTER SCHOOL - NON-CLASSROOM BASED		
Charter Home School Academy		
Certificate Number	A39F66F8	2D7B89FE
Transitional Kindergarten through Third	24	24
Fourth through Sixth	32	32
Seventh and Eighth	55	55
Subtotal Charter Home School	111	111
Visalia Charter Independent Study		
Certificate Number	4164D697	5272F516
Ninth through Twelfth	482	482
Subtotal Visalia Charter Independent Study	482	482
Total Charter School Non-Classroom Based	593	593
Charter School Totals	1,220	1,220

See accompanying notes to supplementary information.

VISALIA UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2020

Grade Level	Minutes Require-ment	Actual Minutes	Number of Days Traditional Calendar	Status
DISTRICT				
Kindergarten	36,000	51,120	180	In Compliance
Grade 1	50,400	51,120	180	In Compliance
Grade 2	50,400	51,120	180	In Compliance
Grade 3	50,400	51,120	180	In Compliance
Grade 4	54,000	57,805	180	In Compliance
Grade 5	54,000	57,805	180	In Compliance
Grade 6	54,000	57,805	180	In Compliance
Grade 7	54,000	61,065	180	In Compliance
Grade 8	54,000	61,065	180	In Compliance
Grade 9	64,800	65,370	180	In Compliance
Grade 10	64,800	65,370	180	In Compliance
Grade 11	64,800	65,370	180	In Compliance
Grade 12	64,800	65,370	180	In Compliance
CHARTER SCHOOLS				
Visalia Technical Early College				
Grade 9	64,800	65,310	180	In Compliance
Grade 10	64,800	65,310	180	In Compliance
Grade 11	64,800	65,310	180	In Compliance
Grade 12	64,800	65,310	180	In Compliance
Global Learning Charter School				
Kindergarten	36,000	52,275	180	In Compliance
Grade 1	50,400	52,275	180	In Compliance
Grade 2	50,400	52,275	180	In Compliance
Grade 3	50,400	59,425	180	In Compliance
Grade 4	54,000	59,425	180	In Compliance
Grade 5	54,000	59,425	180	In Compliance
Grade 6	54,000	59,425	180	In Compliance
Grade 7	54,000	61,350	180	In Compliance
Grade 8	54,000	61,350	180	In Compliance

See accompanying notes to supplementary information.

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
U.S. Department of Education - Direct Award			
84.184F	School Climate Transformation Program	N/A	$ 483,553
U.S. Department of Education - Passed through California Department of Education			
	Special Education Cluster:		
84.027	Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611	13379	5,099,986
84.027	Special Ed: IDEA Private School Local Assistance	10115	1,132
84.173	Special Ed: IDEA Preschool Capacity Building, Part B, Sec 619	13839	436,753
	Subtotal Special Education Cluster		5,537,871
	Adult Education Programs:		
84.002	Adult Education: Adult Secondary Education	13978	160,123
84.002A	Adult Education: Adult Basic Education & ESL	14508	137,435
84.002	Adult Education: Institutionalized Adults	13971	3,626
84.002	Adult Education: English Literacy & Civics Education Local Grant	14750	27,912
	Subtotal Adult Education Programs		329,096
	Carl D. Perkins Programs:		
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	297,692
84.048	Carl D. Perkins Career and Technical Education: Adult, Section 132 (Vocational Education)	14893	51,152
	Subtotal Carl Perkins Programs		348,844
	Title I, Part C Programs:		
84.011	ESEA: Title I, Part C, Migrant Education	14326	206,381
84.011	ESEA: Title I, Part C, Migrant Education Summer Program	10005	7,763
	Subtotal Title I, Part C Programs		214,144

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2020

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
	U.S. Department of Education - Passed through California Department of Education (Continued)		
	Title III Programs:		
84.365	ESEA: Title III, English Learner Student Program	14346	$ 410,121
84.365	ESEA: Title III, Immigrant Student Program	15146	26,696
	Subtotal Title III Programs		436,817
84.010	ESEA: Title I, Part A, Basic Grants Low-Income and Neglected	14329	9,064,299
84.367	ESEA: Title II, Part A Supporting Effective Instruction Local Grants	14341	1,363,161
84.287	ESEA: Title IV, Part B, 21st Century Community Learning Centers Program	14349	314,780
84.060	Indian Education	10011	136,574
84.126A	Rehabilitation Services: Vocational Rehabilitation Grants	*	93,501
84.424	ESEA: Title IV, Part A, Student Support and Academic Enrichment Grants	15396	557,325
	Total U.S. Department of Education		18,879,965
	U.S. Department of Health and Human Services - Passed through California Department of Education		
	Medicaid Cluster:		
93.778	Medi-Cal Billing Option	10013	242,024
	Child Care Development Fund (CCDF) Program Cluster:		
93.575	CCDF Federal Child-Care, Center-Based	15136	73,413
	Total U.S. Department of Health and Human Services		315,437
	U.S. Department of Agriculture - Passed through California Department of Education		
	Child Nutrition Cluster:		
10.555	National School Lunch Program (NSLP)	13390	8,675,321
10.553	Basic Breakfast	13396	10,296
10.553	Especially Needy Breakfast	13526	2,849,358
	Total U.S. Department of Agriculture		11,534,975
	Total Federal Programs		$ 30,730,377

See accompanying notes to supplementary information.

RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

There were no adjustments proposed to any funds of the District.

VISALIA UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Year Ended June 30, 2020
(UNAUDITED)

	(Budget) 2021	2020	2019	2018
General Fund				
Revenues and other financing sources	$ 343,406,367	$ 368,855,507	$ 375,331,324	$ 328,485,205
Expenditures	340,114,380	354,927,843	348,693,838	313,798,585
Other uses and transfers out	1,277,063	9,971,321	20,274,996	7,193,800
Total outgo	341,391,443	364,899,164	368,968,834	320,992,385
Change in fund balance	$ 2,014,924	$ 3,956,343	$ 6,362,490	$ 7,492,820
Ending fund balance	$ 116,370,363	$ 114,355,439	$ 109,268,766	$ 102,906,276
Available reserves	$ 37,846,236	$ 47,457,739	$ 44,516,997	$ 46,445,968
Designated for economic uncertainties	$ 37,846,236	$ 47,457,739	$ 44,444,195	$ 46,213,917
Undesignated fund balance	$ -	$ -	$ 72,802	$ 232,051
Available reserves as percentages of total outgo	11.1%	13.0%	12.1%	14.5%
All Funds				
Total long-term liabilities	$ 581,757,151	$ 550,734,370	$ 543,275,409	$ 520,353,597
Average daily attendance at P-2, excluding Charter Schools	27,046	26,782	26,485	26,291

The General Fund fund balance has increased by $17,811,653 over the past three years. The fiscal year 2 2020-2021 budget projects an increase of $2,014,924. For a district this size, the State of California recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses. For the year ended June 30, 2020, the District has met this requirement.

The District has incurred operating surpluses in each of the past three years, and anticipates incurring an operating surplus during the fiscal year 2020-2021.

Total long-term liabilities have increased by $30,380,773 over the past two years, due primarily to the issuance of General Obligation Bonds and Certificates of Participation, as well as changes in the District's Net Pension Liability.

Average daily attendance has increased by 491 over the past two years. The District anticipates an increase of 264 ADA for the 2020-2021 fiscal year.

See accompanying notes to supplementary information.

VISALIA UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2020

Charter Schools Chartered by District	Included in District Financial Statements, or Separate Report
1870 – Global Learning Charter School	Included in District Financial Statements
0720 – Visalia Charter Independent Study	Included in District Financial Statements
0250 – Charter Home School Academy	Included in District Financial Statements
1128 – Visalia Technical Early College HS	Included in District Financial Statements

See accompanying notes to supplementary information.

NOTE 1 – PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District, and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

The District submitted a COVID-19 School Closure Certification with the State Superintendent of Public Instruction (SSPI) in connection with the effected school days impacted by COVID-19. The Certification was submitted to the SSPI on July 10, 2020.

C - Schedule of Expenditure of Federal Awards

The Schedule of Expenditure of Federal Awards includes the federal award activity of Visalia Unified School District, and is presented on the 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). Expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed in the Uniform Guidance.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards.

Description	CFDA Number	Amount
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		$ 30,996,824
Less: School Climate Transformation Program	84.184G	(266,447)
Total Schedule of Expenditure of Federal Awards		$ 30,730,377

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

This schedule provides the information necessary to reconcile the Unaudited Actual Financial Report to the audited financial statements.

(Continued)

NOTE 1 – PURPOSE OF SCHEDULES (Continued)

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2020-2021 fiscal year, as required by the State Controller's Office.

F - Schedule of Charter Schools

This schedule provides information for the California Department of Education to monitor financial reporting by Charter Schools.

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 required certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2020, the District did not adopt such a program.

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

Board of Education
Visalia Unified School District
Visalia, California

Report on Compliance with State Laws and Regulations

We have audited Visalia Unified School District's compliance with the types of compliance requirements described in the State of California's *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") applicable to the state laws and regulations listed below for the year ended June 30, 2020.

Description	Procedures Performed
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
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	Yes
Charter Schools - Attendance	Yes
Charter Schools - Mode of Instruction	Yes
Charter Schools - Nonclassroom-Based Instruction/Independent Study	Yes
Charter Schools - Determination of Funding for Nonclassroom-Based Instruction	Yes
Charter Schools - Annual Instructional Minutes - Classroom-Based	Yes
Charter Schools - Charter School Facility Grant Program	No, see below

(Continued)

We did not perform procedures related to Independent Study because the District did not report ADA for this program in the current year.

We did not perform any procedures related to the Early Retirement Incentive program because the District did not participate in this program in the current year.

We did not perform any procedures related to Juvenile Court Schools because the District did not participate in this program in the current year.

We did not perform any procedures related to Middle or Early College High Schools because the District did not participate in this program in the current year.

We did not perform any procedures related to Apprenticeship: Related and Supplemental Instruction because the District did not participate in this program in the current year.

We did not perform any procedures related to District of Choice because the District did not participate in this program in the current year.

We did not perform any procedures related to After/Before School Education and Safety Program: Before School because the District did not participate in this program in the current year.

We did not perform any procedures related to Charter School Facility Grant Program because the District did not participate in this program in the current year.

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations, as listed above.

Auditor's Responsibility

Our responsibility is to express an opinion on Visalia Unified School District's compliance with state laws and regulations as listed above based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Visalia Unified School District's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Visalia Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified opinion on compliance with state laws and regulations. However, our audit does not provide a legal determination of Visalia Unified School District's compliance.

Basis for Qualified Opinion with State Laws and Regulations

As described in Finding 2020-001 in the accompanying Schedule of Audit Findings and Questioned Costs, Visalia Unified School District did not comply with the requirements regarding School Accountability Report Card. Compliance with such requirements is necessary, in our opinion, Visalia Unified School District to comply with state laws and regulations referred to above.

(Continued)

Qualified Opinion with State Laws and Regulations

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Visalia Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2020.

Other Matter

Visalia Unified School District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Audit Findings and Questioned Costs. Visalia 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 it.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the State of California's *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Sacramento, California
March 2, 2021

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

Board of Education
Visalia Unified School District
Visalia, 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 Visalia Unified School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Visalia Unified School District's financial statements, and have issued our report thereon dated March 2, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Visalia 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 Visalia Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Visalia Unified School District's internal control.

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

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

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Visalia 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*.

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.

Crowe LLP

Crowe LLP

Sacramento, California
March 2, 2021

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE

Board of Education
Visalia Unified School District
Visalia, California

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Visalia Unified School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Visalia Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Visalia 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, 2020.

(Continued)

Report on Internal Control Over Compliance

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

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

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

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

Crowe LLP

Crowe LLP

Sacramento, California
March 2, 2021

FINDINGS AND RECOMMENDATIONS

SECTION I – SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified not considered to be material weakness(es)?	____ Yes	X None reported
Noncompliance material to financial statements noted?	____ Yes	X No

FEDERAL AWARDS

Internal control over major programs:		
Material weakness(es) identified?	____ Yes	X No
Significant deficiency(ies) identified not considered to be material weakness(es)?	____ Yes	X None reported
Type of auditors' report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ Yes	X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	ESEA: Title I, Part A, Basic Grants Low-Income and Neglected

Dollar threshold used to distinguish between Type A and Type B programs:	$921,911	
Auditee qualified as low-risk auditee?	X Yes	____ No

STATE AWARDS

Type of auditors' report issued on compliance for state programs:	Qualified

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

SECTION IV – STATE AWARD FINDINGS AND QUESTIONED COSTS

2020-001 STATE COMPLIANCE – SCHOOL ACCOUNTABILITY REPORT CARD (72000)

Criteria

Education Code Section 33126(b)(8) states that the school accountability report card shall include, but is not limited to, assessment of the following school conditions: (8) Safety, cleanliness, and adequacy of school facilities, including any needed maintenance to ensure good repair as specified in Section 17014, Section 17032.5, subdivision (a) of Section 17070.75, and subdivision (b) of Section 17089.

Condition

For three district sites, facility condition attributes as identified on the school accountability report card were not consistent with the information on the Facility Inspection Tool (FIT), for the respective sites.

Context

We performed the audit procedures enumerated in the State of California *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* and identified the finding described above.

Effect

The District is not in compliance with Education Code 33126(b)(8) due to the inconsistency noted.

Cause

The errors were the result of clerical errors in the preparation of the school accountability report cards.

Fiscal Impact

Not determinable.

Recommendation

The District should ensure the school accountability report cards are completed appropriately based on the information of the most recent Facility Inspection Tool.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the auditor’s recommendation and will ensure that the school accountability report cards are completed appropriately.

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

No matters were reported.