

VISALIA UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
June 30, 2021

VISALIA UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2021
(Continued)

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VISALIA UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2021

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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, 2021, 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, 2021, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities. This resulted in a restatement of the beginning governmental activities net position and the beginning aggregate remaining fund information fund balance totaling \$1,822,967. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 15 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 57 to 62 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.

(Continued)

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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 28, 2022 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
January 28, 2022

**VISALIA UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 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, 2021. 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:

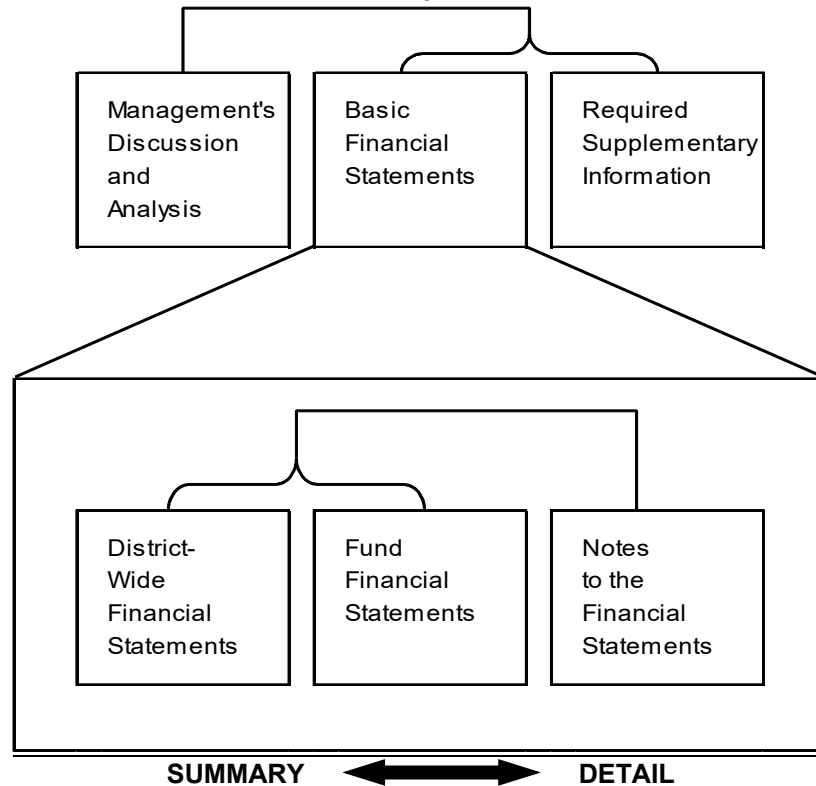
- *Governmental funds* – These statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting. They tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending. Most of 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.

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

- For the 2020-21 fiscal year, Governor Gavin Newsom and the Legislature provided resources and support beyond the Proposition 98 requirement in 2020-21, giving one-time federal sources and pension rate relief and promising more than the minimum guarantee in 2021-22. The 2020-21 State Budget created rules for distance learning, and in-person and hybrid instruction models as a condition to receive flat funding in 2020-21.
- The American Rescue Plan stimulus bill earmarked nearly \$170 billion for education, including \$122.8 billion for a third round of funding in the Elementary and Secondary School Emergency Relief (ESSER) Fund.
- The following factors play a significant role in the economic recovery:
 - Decreased State and Local Unemployment Rates of 7.5% State, 9.3% Tulare County and 9.3% for Visalia, compared to 15.1% State, 17.1% Tulare County and 8.9% Visalia in the previous fiscal year.
 - The shift in tax deadline from April 15 to July 15 due to COVID-19, showed 48% fewer personal state income tax returns filed in April compared to 2019.
 - UCLA Anderson says a solid but unspectacular growth for U.S. economy as delta variant spreads. Data shows recession and recovery had a disproportionately negative impact on lower-income Californians. Heading into the final quarter of 2021, “good” and “solid” replace “blockbuster” and “spectacular” as the relevant descriptors of the national

economic forecast. Services, not goods are driving GDP growth. Services consumption remains 1.5% below its pre-COVID peak in the fourth quarter of 2019. However, it has been recovering rapidly faster than the rate of GDP growth, and is therefore one of the drivers powering the recovery. The current forecast for average growth for 2021 is 5.6%. For 2022 growth is expected to be 4.1%, down from the 5.0% forecast in June 2021; for 2023, the projection is now 3.1%, up from the 2.2% predicted in June 2021. The unemployment rate for third quarter of 2021 is expected to be 7.2%, with annual rates for 2021, 2022, and 2023 anticipated to be 7.6%, 5.6%, and 4.4%. In spite of the recession, the continued demand for a limited housing stock coupled with low interest rates leads to a forecast of a relatively rapid return of home building.

- Housing has seen an increase with permits up 18% and housing valuation up 36% 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 11.5% at the close of the 2020-21 fiscal year or \$44.80 million.
- The District's overall financial condition improved with additional revenues from the LCFF funding formula. State revenues from the LCFF are up \$130.3 million from FY 2013-14, with \$54.9 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 \$23.8 million in new pension costs since 2013-14, projected to grow to \$32.6 million in new costs by 2022-23.
- Golden West High School began the final of a 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 Sequoia High School and welcomed students in August 2020.
- Overall, Governmental Fund revenues were \$477.2 million for the audit year, as compared to \$408.5 million in the prior year, up \$68.7 million or 16.82% due to increases in federal revenue for ESSER, ESSER II, and Coronavirus Relief Funds.
- CARES expenditures of \$23.8 million provided the following; air purifiers and filters were deployed to every K-12 classroom, nurses office, an isolation room; over 13,000 devices were supplied to students and provided hotspots for families that did not have internet access; purchased supplemental educational platforms to help support distance learning; "CARE packages" were provided to our students who didn't have the resources or instructional materials they are accustomed to in the classroom; and finally funds were utilized to provide support efforts in the areas of family engagement, nutritional services, legal services, operations, special education, library services, and mental health.
- General Fund revenues for the current year exceeded basic expenditures by \$44.9 million; \$414.2 million in revenues compared to \$369.3 million in basic expenditures with salaries and benefits accounting for 81.68% of basic expenditures compared to 83.53% 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 2020-21 was at the Level 2 rate at \$4.16 per square foot for residential development, an increase from 2019-20 which was at the Level 1 rate of \$3.79 per square foot. Total revenues increased for the year at \$6.9 million for FY 2020-21 compared to \$5.32 million in 2019-20. The total revenue increase is mainly due increase in level rates.

- In November 2018, voters approved the \$105 million Measure A General Obligation Bond. In July 2020, \$35 million was issued in voter-approved bonds for Measure A. This includes upgrades to campuses across the District to replace leaking roofs, provide modern science labs and technology, prevent overcrowding, increase safety/security at all schools, provide equal access for students, and improve access for children with disabilities.

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		Dollar Change 2021-2020	Total Percentage Change 2021-2020
	2021	2020		
Current and other assets	\$ 345.8	\$ 229.1	\$ 116.7	50.95%
Capital assets (less depreciation)	469.4	462.7	6.7	1.46%
Total Assets	815.3	691.8	123.5	17.85%
Current liabilities	85.6	37.1	48.5	130.70%
Long-term liabilities	582.2	550.7	31.5	5.72%
Total Liabilities	667.8	587.8	80.0	13.60%
Deferred Inflows/Outflows of Resources	85.0	78.5	6.5	8.28%
Net position				
Net investment in capital assets	373.2	330.4	42.8	12.94%
Restricted	93.8	63.5	30.3	47.73%
Unrestricted	(234.5)	(211.5)	(23.0)	10.87%
Total Net Position	\$ 232.5	\$ 182.4	\$ 50.1	27.46%

Net position. The District's combined net position was \$182.4 million for the fiscal year ended June 30, 2020, and \$232.5 million for the fiscal year ended June 30, 2021, an increase of \$50.1 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 cash from issuance of the first series of Measure A Bonds for capital facility projects and one-time funding received to mitigate the effects of the pandemic on student learning. In addition, the change in net position includes the effect of implementing GASB 84, which moved the District's Student Activity funds from an agency fund to a special revenue governmental fund. The total impact of this implementation was \$1,822,967 and is further discussed in the notes to financial statements, which follow this section.

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		Total Dollar Change	Total Percentage Change
	2021	2020	2021-2020	2021-2020
Revenues				
General revenues:				
Federal and State aid not restricted	\$ 254.2	\$ 258.7	\$ (4.5)	-1.74%
Charges for services	8.2	5.9	2.3	38.98%
Operating grants and contributions	144.9	83.5	61.4	73.53%
Tax revenues	57.4	51.6	5.8	11.24%
Other local sources	15.6	12.2	3.4	27.87%
Total Revenues	480.3	411.9	68.4	16.61%
Expenses				
Instruction-related	311.8	296.5	15.3	5.16%
Student support services	41.0	42.2	(1.2)	-2.84%
Administration	23.8	19.7	4.1	20.81%
Maintenance and operations	38.5	35.8	2.7	7.54%
Other	16.9	16.4	0.5	3.05%
Total Expenses	432.0	410.6	21.4	5.21%
Excess of Revenues over Expenses	48.3	1.3	47.0	3615.38%
Change in Net Position	\$ 48.3	\$ 1.3	\$ 47.0	3615.38%

Changes in net position. The District's total revenues increased from \$411.9 million at June 30, 2020, to \$480.3 million at June 30, 2021, an increase of 16.61 percent (Table A-2). As mentioned earlier, the increase in revenues was primarily due to the increase in revenues received in federal revenue for ESSER, ESSER II, and Coronavirus Relief Funds.

The total cost of all programs and services increased 21.4 percent from \$410.6 million at June 30, 2020, to \$432.0 million at June 30, 2021. The majority of the District's expenses relate to instruction (72.18 percent). The purely administrative activities of the District accounted for just 5.51 percent of total costs.

Overall, total revenues surpassed expenses, increasing net position \$48.3 million, an increase of \$47.0 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			
	2021	2020	\$ Change	% Change
Instruction	\$ 153.5	\$ 187.0	\$ (33.5)	-17.91%
Instruction-related activities (supervision, library, and media)	43.8	45.5	(1.7)	-3.74%
Other pupil services	19.1	19.2	(0.1)	-0.52%
Food services	(0.1)	0.6	(0.7)	-116.67%
Pupil transportation	6.6	6.9	(0.3)	-4.35%
General administration	17.5	18.0	(0.5)	-2.78%
Maintenance and operations (plant services)	33.2	34.6	(1.4)	-4.05%
Other	5.3	13.8	(8.5)	-61.59%
Totals	\$ 278.9	\$ 325.6	\$ (46.7)	-14.34%

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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the total net capital assets totaled \$462.7 million. At June 30, 2021, the total net capital assets totaled \$469.4 million. This amount represents a net increase (including additions, deductions, and depreciation) of \$6.7 million, or 1.45 percent, from last year. The increase is related to the purchase of land for a future middle and high school site, electric school buses and construction and modernization projects in progress.

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

(Amounts in millions)

	Governmental Activities		Total Dollar Change	Total Percentage Change
	2021	2020	2021-2020	2021-2020
Land	\$ 23.1	\$ 18.3	\$ 4.8	26.23%
Construction in progress	76.7	71.4	5.3	7.42%
Buildings and improvements	355.1	361.4	(6.3)	-1.74%
Equipment	14.5	11.6	2.9	25.00%
Totals	\$ 469.4	\$ 462.7	\$ 6.7	1.45%

Long-Term Obligations

At June 30, 2020, the District had \$550.7 million in long-term obligations outstanding versus \$582.7 million at June 30, 2021, an increase of \$31.5 million or 5.72 percent. Direct debt decreased by \$3.4 million in aggregate due to regular debt service payments. The Districts liabilities for retiree pensions and health insurance increased by \$34.9 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)

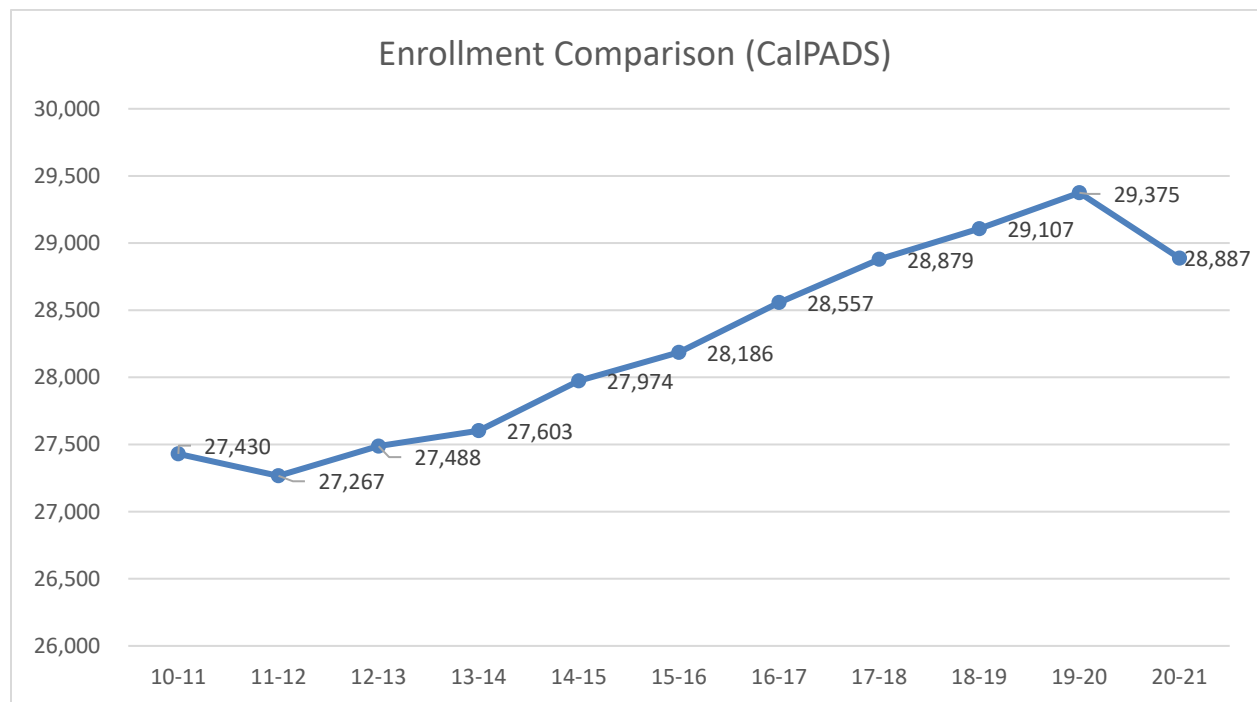
	Governmental Activities		Total Dollar Change	Total Percentage Change
	2021	2020	2021-2020	2021-2020
General obligation bonds	\$ 97.3	\$ 61.8	\$ 35.5	57.44%
Certificates of participation	34.8	73.2	(38.4)	-52.46%
Capitalized lease obligations	1.1	1.6	(0.5)	-31.25%
Other postemployment benefits liability	88.3	85.0	3.3	3.88%
Net Pension Liability	359.7	328.1	31.6	9.63%
Compensated Absences	1.0	1.0	-	0.00%
Totals	\$ 582.2	\$ 550.7	\$ 31.5	5.72%

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 has experienced some decline in enrollment as much of the nation has during the pandemic. The decline is primarily in Transitional Kindergarten and Kindergarten grade levels with continued growth in high school. Charter school enrollment also has grown during the pandemic as families search for options for non-classroom based attendance. The District recognized a slight enrollment decrease of 488 students to 28,887 in 2020-21, from a total of 29,375 in 2019-20. Additionally, the District's CBEDS to P2 ADA ratio remains above the State average at 95.34%.



SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2020-2021 ARE NOTED BELOW:

The 2020-21 fiscal year was unlike any we have experienced before. The Governor's January budget proposal projected a surplus with a funded Cost of Living Adjustment (COLA) and continued growth in the California economy. Then, in a matter of months, the May Revision projected a \$54 billion shortfall as a result of the COVID-19 pandemic. Just as the Local Control Funding Formula (LCFF) reached its target for full funding to restore the cuts from the Great Recession, the State and Nation were pushed into a recession and the Education budget took a major hit. The State 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 certificated bargaining unit reached an agreement with the District to fund step and column movement for the 2020-21 school year. Due to the uncertain economic conditions caused by the COVID-19 pandemic and its related impact on school funding, there was no COLA increase, or other increase, to any salary schedule, stipend, or other payment for the 2020-21 school year. The work calendar was also reduced by one day. The classified bargaining unit reached an agreement with the District to freeze step movement and not provide a COLA for the 2020-21 year. The percentage of salary contributed to STRS by the district on-behalf of its teachers had a slight decrease from 17.100% in 2019-20 to 16.15% in 2020-21. California Public Employees Retirement System (PERS) rates paid by the district for classified staff grew slightly going from 19.721% in 2019-20 to 20.700% in 2020-21.

For students, the majority of the 2020-21 year, school was conducted virtually. On March 1, 2021, Governor Newsom announced a deal had been reached with the Legislature to provide \$2.0 billion for In-Person Instruction Grants and \$4.6 billion for Expanded Learning Opportunities Grants. On March 10, 2021 the House of Representatives approved the Senate's version of the \$1.9 trillion American Rescue Plan. This stimulus bill earmarked nearly \$170 billion for education, including \$122.8 billion for a third round of funding in the Elementary and Secondary School Emergency Relief (ESSER) Fund. The purpose of these funds were to improve workplace safety and ventilation, expand learning opportunities to combat learning loss, provide infrastructure for technology and wireless needs, and to prepare for a return to traditional in-person instruction.

At the end of 2020-21, VUSD maintained a reserve for economic uncertainties of 11.6%.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Just over a year ago, the Governor projected a \$54 billion deficit in the State budget for the 2020-21 fiscal year with expectations of a global recession. However, over the course of the year, that deficit turned into a \$76 billion surplus from State revenues and another \$25 billion from Federal resources. The 2021-22 State budget for Proposition 98 is projected to be the highest ever and schools will benefit from additional revenues on an ongoing and one-time basis.

The VUSD General Fund budget is projected to grow to over \$444 million in both the current and budget year as a result of a significant influx of Federal funds from the three stimulus packages approved by Congress and Presidents Trump and Biden over the last 15 months. These funds are intended to improve workplace safety and ventilation, expand learning opportunities to combat learning loss, provide infrastructure for technology and wireless needs, and prepare for a return to traditional in-person instruction.

The VUSD budget uses the Governor's May Revision to build the assumptions for 2021-22 fiscal year, and includes a Cost of Living Adjustment (COLA) to the Local Control Funding Formula (LCFF) of 5.07%. Other non LCFF funding including Special Education, Adult School, State Preschool, Career Technical Education, and After School programs will receive a lesser COLA depending on the final State budget compromise. The Governor has proposed many new and one-time programs within the May Revision and many of those proposals have been adopted by the Legislature including a proposal to include Transitional Kindergarten (TK) as a new grade level over the next 4-5 years. Most of these proposals are not included in the VUSD budget until such time as they are approved by the Legislature and adopted in the final State budget.

This budget is a balanced budget and 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.

While this is a balanced budget and there are significant one-time funds available, there are still reasons to be cautious with increases to ongoing spending including higher pension costs over the next two years and declining enrollment projections in the future.

Highlights of the VUSD 2021-22 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 continue in the 2021-22 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 with zero projected growth for 2021-22 is budgeted at 28,001.35.
2. One time Cares Act ESSER Funds of \$91,182,952
3. State Lottery is projected to be \$199.00 per ADA, of which \$49.00 is restricted to instructional materials, and \$150.00 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 \$3.06 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 \$14,926 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 \$52.2 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

VISALIA UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2021

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 252,313,101
Receivables	91,346,165
Stores inventory	544,674
Prepaid expenditures	1,611,706
Non-depreciable capital assets (Note 4)	99,868,916
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>369,570,998</u>
Total assets	<u>815,255,560</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions (Notes 8 and 9)	93,525,050
Deferred outflows of resources - OPEB (Note 10)	<u>6,303,496</u>
Total deferred outflows	<u>99,828,546</u>
LIABILITIES	
Accounts payable	55,658,542
Claims liability (Note 5)	7,509,808
Unearned revenue	22,418,281
Long-term liabilities:	
Due within one year (Note 6)	8,033,021
Due after one year (Note 6)	<u>574,145,775</u>
Total liabilities	<u>667,765,427</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 8 and 9)	6,846,000
Deferred inflows of resources - OPEB (Note 10)	<u>7,982,529</u>
Total deferred inflows	<u>14,828,529</u>
NET POSITION	
Net investment in capital assets	373,169,577
Restricted:	
Legally restricted programs	60,115,621
Capital projects	20,173,286
Debt service	13,524,756
Unrestricted	<u>(234,493,090)</u>
Total net position	<u>\$ 232,490,150</u>

See accompanying notes to financial statements.

VISALIA UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

	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	\$ 256,701,751	\$ 234,611	\$ 77,198,220	\$ 25,808,230	\$ (153,460,690)
Instruction-related services:					
Supervision of instruction	14,786,053	36,739	5,367,161	-	(9,382,153)
Instructional library, media and technology	3,218,531	-	847,653	-	(2,370,878)
School site administration	37,150,487	7,520	5,152,331	-	(31,990,636)
Pupil services:					
Home-to-school transportation	6,777,149	-	136,322	-	(6,640,827)
Food services	10,497,848	45,193	10,555,802	-	103,147
All other pupil services	23,691,995	53,849	4,514,079	-	(19,124,067)
General administration:					
Data processing	9,919,509	19,033	3,691,856	-	(6,208,620)
All other general administration	13,913,983	24,679	2,561,322	-	(11,327,982)
Plant services	38,478,216	618,678	4,673,779	-	(33,185,759)
Ancillary services	7,716,566	193,867	3,108,049	-	(4,414,650)
Enterprise activities	75,443	-	-	-	(75,443)
Other outgo	2,790,532	7,015,142	1,307,435	-	5,532,045
Interest on long-term liabilities	6,354,162	-	-	-	(6,354,162)
Total governmental activities	<u>\$ 432,072,225</u>	<u>\$ 8,249,311</u>	<u>\$ 119,114,009</u>	<u>\$ 25,808,230</u>	<u>(278,900,675)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					49,109,779
Taxes levied for debt service					7,018,073
Taxes levied for other specific purposes					1,285,844
Federal and state aid not restricted to specific purposes					254,194,723
Interest and investment earnings					2,125,629
Interagency revenues					2,036,171
Miscellaneous					<u>11,392,259</u>
Total general revenues					<u>327,162,478</u>
Change in net position					48,261,803
Net position, July 1, 2020					<u>182,405,380</u>
Cumulative effect of GASB 84 implementation					<u>1,822,967</u>
Net position, July 1, 2020 as restated					<u>184,228,347</u>
Net position, June 30, 2021					<u>\$ 232,490,150</u>

See accompanying notes to financial statements.

VISALIA UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	<u>General Fund</u>	<u>Building Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments:				
Cash in County Treasury	\$ 129,580,861	\$ 31,883,443	\$ 33,213,683	\$ 194,677,987
Cash on hand and in banks	77,722	-	1,119,518	1,197,240
Cash in revolving fund	88,181	-	18,095	106,276
Cash with Fiscal Agent	7,778,023	-	-	7,778,023
Receivables	86,241,017	-	5,105,148	91,346,165
Due from other funds	2,492,700	-	12,556,807	15,049,507
Stores inventory	241,610	-	303,064	544,674
Prepaid expenditures	1,611,706	-	-	1,611,706
	<u>1,611,706</u>	<u>-</u>	<u>-</u>	<u>1,611,706</u>
Total assets	<u>\$ 228,111,820</u>	<u>\$ 31,883,443</u>	<u>\$ 52,316,315</u>	<u>\$ 312,311,578</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 52,712,295	\$ 22,921	\$ 1,385,568	\$ 54,120,784
Unearned revenue	21,904,249	-	514,032	22,418,281
Due to other funds	12,169,127	-	2,880,380	15,049,507
	<u>12,169,127</u>	<u>-</u>	<u>2,880,380</u>	<u>15,049,507</u>
Total liabilities	<u>86,785,671</u>	<u>22,921</u>	<u>4,779,980</u>	<u>91,588,572</u>
Fund balances:				
Nonspendable	1,941,497	-	321,159	2,262,656
Restricted	46,277,328	31,860,522	47,215,176	125,353,026
Committed	36,001,447	-	-	36,001,447
Assigned	12,100,185	-	-	12,100,185
Unassigned	45,005,692	-	-	45,005,692
	<u>45,005,692</u>	<u>-</u>	<u>-</u>	<u>45,005,692</u>
Total fund balances	<u>141,326,149</u>	<u>31,860,522</u>	<u>47,536,335</u>	<u>220,723,006</u>
Total liabilities and fund balances	<u>\$ 228,111,820</u>	<u>\$ 31,883,443</u>	<u>\$ 52,316,315</u>	<u>\$ 312,311,578</u>

See accompanying notes to financial statements.

VISALIA UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
For the Year Ended June 30, 2021

Total fund balances - Governmental Funds		\$ 220,723,006
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 \$692,938,247 and the accumulated depreciation is \$223,498,333 (Note 4).		
		469,439,914
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, 2021 consisted of (Note 6):		
General Obligation Bonds	\$ (86,709,971)	
Unamortized premiums	(5,574,718)	
Accreted interest	(5,008,460)	
Certificate of Participation	(34,760,000)	
Capitalized lease obligations	(1,086,170)	
Net pension liability (Notes 8 and 9)	(359,752,000)	
Net OPEB liability (Note 10)	(88,278,149)	
Compensated absences	<u>(1,009,328)</u>	
		(582,178,796)
In governmental funds, interest on long-term liabilities is not recognized until the period in which it matures and is paid. In the the government-wide statement of activities, it is recognized in the period that it is incurred.		
		(1,530,263)
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pension are reported (Note 8 and 9).		
Deferred outflows of resources relating to pensions	\$ 93,525,050	
Deferred inflows of resources relating to pensions	<u>(6,846,000)</u>	
		86,679,050
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		
		41,036,272
In governmental funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported (Note 10):		
Deferred outflows of resources relating to OPEB	\$ 6,303,496	
Deferred inflows of resources relating to OPEB	<u>(7,982,529)</u>	
		<u>(1,679,033)</u>
Total net position - governmental activities		<u>\$ 232,490,150</u>

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, 2021

	General Fund	Building Fund	All Non-Major Funds	Total Governmental Funds
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 249,634,438	\$ -	\$ -	\$ 249,634,438
Local sources	47,245,112	-	-	47,245,112
Total LCFF	<u>296,879,550</u>	<u>-</u>	<u>-</u>	<u>296,879,550</u>
Federal sources	39,916,466	-	9,351,131	49,267,597
Other state sources	50,062,900	-	36,888,311	86,951,211
Other local sources	27,393,859	501,852	16,756,611	44,652,322
Total revenues	<u>414,252,775</u>	<u>501,852</u>	<u>62,996,053</u>	<u>477,750,680</u>
Expenditures:				
Current:				
Certificated salaries	150,145,568	-	2,776,220	152,921,788
Classified salaries	51,987,821	-	6,006,031	57,993,852
Employee benefits	99,460,180	-	4,764,996	104,225,176
Books and supplies	24,628,380	41,394	3,373,450	28,043,224
Contract services and operating expenditures	30,640,938	407,351	2,618,274	33,666,563
Other outgo	2,790,532	-	-	2,790,532
Capital outlay	9,753,704	2,505,535	12,687,408	24,946,647
Debt service:				
Principal retirement	494,767	-	40,025,000	40,519,767
Interest	33,057	-	5,201,669	5,234,726
Total expenditures	<u>369,934,947</u>	<u>2,954,280</u>	<u>77,453,048</u>	<u>450,342,275</u>
Excess (deficiency) of revenues over (under) expenditures	<u>44,317,828</u>	<u>(2,452,428)</u>	<u>(14,456,995)</u>	<u>27,408,405</u>
Other financing (uses) sources:				
Transfers in	1,729,072	-	58,299,888	60,028,960
Transfers out	(19,076,190)	(1,048,165)	(39,904,605)	(60,028,960)
Proceeds from sale of land	-	-	865,000	865,000
Proceeds from issuance of bonds	-	35,170,000	-	35,170,000
Debt issuance premiums	-	191,115	1,181,866	1,372,981
Total other financing (uses) sources	<u>(17,347,118)</u>	<u>34,312,950</u>	<u>20,442,149</u>	<u>37,407,981</u>
Change in fund balances	26,970,710	31,860,522	5,985,154	64,816,386
Fund balances, July 1, 2020	<u>114,355,439</u>	<u>-</u>	<u>39,728,214</u>	<u>154,083,653</u>
Cumulative effect of GASB 84 implementation	-	-	1,822,967	1,822,967
Fund balance, July 1, 2020, as restated	<u>114,355,439</u>	<u>-</u>	<u>41,551,181</u>	<u>155,906,620</u>
Fund balances, June 30, 2021	<u>\$ 141,326,149</u>	<u>\$ 31,860,522</u>	<u>\$ 47,536,335</u>	<u>\$ 220,723,006</u>

See accompanying notes to financial statements.

VISALIA UNIFIED SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS – TO THE STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2021

Net change in fund balances - Total Governmental Funds	\$ 64,816,386
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).	26,110,488
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(18,394,948)
If a planned capital project is canceled and will not be completed, costs previously capitalized must be written off to expense. Costs written off for canceled projects were:	(198,028)
In governmental funds, the entire proceeds from disposal of capital capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported.	(776,013)
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.	(35,170,000)
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).	40,519,767
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).	(1,200,529)
Accreted interest is an expense that is not recorded in the government funds (Note 6).	(752,326)
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.	(178,488)

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS – TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

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).	\$ 7,471
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.	(3,492,859)
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.	(24,826,406)
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:	<u>1,797,288</u>
Change in net position of governmental activities	<u>\$ 48,261,803</u>

See accompanying notes to financial statements.

VISALIA UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION – PROPRIETARY FUND
SELF-INSURANCE FUND
June 30, 2021

ASSETS

Current assets:

Cash and investments:

Cash in County Treasury	\$ 17,120,198
Cash with Fiscal Agent	<u>31,433,377</u>

Total current assets	<u>48,553,575</u>
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LIABILITIES

Current liabilities:

Accounts payable	7,495
Claims payable	<u>7,509,808</u>

Total liabilities	<u>7,517,303</u>
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NET POSITION

Unrestricted	<u>\$ 41,036,272</u>
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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, 2021

Operating revenues:	
Self-insurance premiums	\$ 47,421,975
Other local revenues	<u>565,294</u>
Total operating revenues	<u>47,987,269</u>
Operating expenses:	
Certificated Salaries	130,390
Classified salaries	275,297
Employee benefits	200,137
Books and supplies	6,274
Contract services	<u>45,753,442</u>
Total operating expense	<u>46,365,540</u>
Operating income	1,621,729
Non-operating income:	
Interest income	<u>175,559</u>
Change in net position	1,797,288
Total net position, July 1, 2020	<u>39,238,984</u>
Total net position, June 30, 2021	<u><u>\$ 41,036,272</u></u>

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, 2021

Cash flows from operating activities:

Cash received from self-insurance premiums	\$ 47,995,594
Cash paid for employee claims benefits	(44,966,871)
Cash paid for salaries and related benefits	<u>(604,603)</u>

Net cash provided by operating activities 2,424,120

Cash flows provided by investing activities:

Interest income received 175,559

Increase in cash and investments 2,599,679

Cash and investments, July 1, 2020 45,953,896

Cash and investments, June 30, 2021 \$ 48,553,575

Reconciliation of operating income to net cash provided by operating activities:

Operating income \$ 1,621,729

Adjustments to reconcile operating income to net cash provided by operating activities:

(Increase) decrease in:

Due from other funds 8,325

Increase (decrease) in:

Claims liability and accounts payable 794,568

Due to other funds (502)

Total adjustments 802,391

Net cash provided by operating activities \$ 2,424,120

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. Custodial funds are not included in the government-wide financial statements. Custodial 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.

(Continued)

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.

Building Fund - The Building Fund is a capital projects fund used to account for resources used for the acquisition or construction of major capital facilities of the District.

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 Student Activity, 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 Capital Facilities, County School Facilities, and Special Reserve for Capital Outlay Projects 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.

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.

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, 2021.

Stores Inventory: Inventories in the General and Cafeteria Funds are valued at average cost and consist 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.

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$1,009,328 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.

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 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.

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 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.

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.

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following is a summary of pension amounts in aggregate:

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	\$ 67,151,415	\$ 26,373,635	\$ 93,525,050
Deferred inflows of resources	\$ 6,846,000	\$ -	\$ 6,846,000
Net pension liability	\$ 242,753,000	\$ 116,999,000	\$ 359,752,000
Pension expense	\$ 53,408,336	\$ 23,988,408	\$ 77,396,744

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 appropriate 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".

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.

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2021, 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.

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, 2021, 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)

VISALIA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements: In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The principal objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. The provisions in GASB Statement No. 84 are effective for reporting periods beginning after December 15, 2019. Based on the implementation of GASB Statement No. 84, the District restated its beginning net position of governmental activities as well as the aggregate remaining fund information beginning fund balance for a total of \$1,822,967.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2021 consisted of the following:

	<u>Governmental Funds</u>	<u>Proprietary Fund</u>	<u>Governmental Activities</u>
Pooled Funds:			
Cash in County Treasury	\$ 194,677,987	\$ 17,120,198	\$ 211,798,185
Deposits:			
Cash on hand and in banks	1,197,240	-	1,197,240
Cash in revolving fund	106,276	-	106,276
Investments:			
Cash with Fiscal Agent	<u>7,778,023</u>	<u>31,433,377</u>	<u>39,211,400</u>
Total cash and investments	<u>\$ 203,759,526</u>	<u>\$ 48,553,575</u>	<u>\$ 252,313,101</u>

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, 2021, 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, 2021, the carrying amount of the District's accounts was \$1,303,516 and the bank balances were \$1,407,187. The total uninsured bank balance at June 30, 2021 was \$516,671.

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 2 - CASH AND INVESTMENTS (Continued)

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.

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, 2021, 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, 2021, 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 represent short term timing differences in transfers of amounts from the fund receiving revenue to the fund incurring expense. Balances at June 30, 2021 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Fund:		
General	\$ 2,492,700	\$ 12,169,127
Non-Major Funds:		
Adult Education	-	254,009
Child Development	-	540,032
Cafeteria	-	2,086,339
Special Reserve for Capital Outlay Projects	<u>12,556,807</u>	<u>-</u>
Totals	<u>\$ 15,049,507</u>	<u>\$ 15,049,507</u>

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

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

Transfers for the 2020-2021 fiscal year were as follows:

Transfer from the Adult Education Fund to the General Fund for indirect cost support.	\$ 225,076
Transfer from the Child Development Fund to the General Fund for indirect cost support.	125,477
Transfer from the Cafeteria Fund to the General Fund for indirect cost support.	330,354
Transfer from the Building Fund to the General Fund to reimburse funds advanced for initial expenditures of the Measure A program.	1,048,165
Transfer from the Child Development Fund to the Debt Service Fund for a contribution towards the Certificate of Participation payment.	387,679
Transfer from the General Fund to the Special Reserve for Capital Outlay Projects Fund to support construction costs.	18,211,806
Transfer from the General Fund to the Debt Service Fund for Certificate of Participation payment.	864,384
Transfer from the Capital Facilities Fund to the Debt Service Fund for Certificate of Participation payment.	4,836,019
Transfer from the County School Facilities Fund to the Debt Service Fund for a contribution towards the Certificate of Participation payment	<u>34,000,000</u>
	<u>\$ 60,028,960</u>

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 4 – CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2021 is shown below:

	Balance July 1, <u>2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	Balance June 30, <u>2021</u>
<u>Governmental Activities</u>					
Non-depreciable:					
Land	\$ 18,331,027	\$ 6,500	\$ 776,013	\$ 5,581,150	\$ 23,142,664
Work-in-process	71,438,478	18,843,315	198,028	(13,357,513)	76,726,252
Depreciable:					
Buildings and improvements	543,033,339	2,489,051	-	7,187,075	552,709,465
Furniture and equipment	<u>34,998,956</u>	<u>4,771,622</u>	<u>-</u>	<u>589,288</u>	<u>40,359,866</u>
Totals, at cost	<u>667,801,800</u>	<u>26,110,488</u>	<u>974,041</u>	<u>-</u>	<u>692,938,247</u>
Less accumulated depreciation:					
Buildings and improvements	(181,655,186)	(15,933,778)	-	-	(197,588,964)
Furniture and equipment	<u>(23,448,199)</u>	<u>(2,461,170)</u>	<u>-</u>	<u>-</u>	<u>(25,909,369)</u>
Total accumulated depreciation	<u>(205,103,385)</u>	<u>(18,394,948)</u>	<u>-</u>	<u>-</u>	<u>(223,498,333)</u>
Capital assets, net	<u>\$ 462,698,415</u>	<u>\$ 7,715,540</u>	<u>\$ 974,041</u>	<u>\$ -</u>	<u>\$ 469,439,914</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 12,269,559
Instruction supervision and administration	689,893
Instruction library, media, and technology	145,826
School site administration	1,929,682
Home-to-school transportation	287,650
Food services	4,695
All other pupil services	1,118,306
Ancillary services	191,888
All other general administration	436,842
Data processing	246,139
Plant Services	<u>1,074,468</u>
Total depreciation expense	<u>\$ 18,394,948</u>

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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, <u>2021</u>	June 30, <u>2020</u>
Unpaid claim and claim adjustment expenses, beginning of the year	\$ 6,722,736	\$ 6,718,130
Total incurred claims and claim adjustment expenses	46,540,354	44,233,206
Total Payments	<u>(45,753,282)</u>	<u>(44,228,600)</u>
Total unpaid claims and claim adjustment expenses at end of year	<u>\$ 7,509,808</u>	<u>\$ 6,722,736</u>

NOTE 6 - LONG-TERM LIABILITIES

General Obligation Bonds:

A summary of General Obligation Bonds payable as of June 30, 2021 follows:

<u>Series</u>	<u>Interest Rate %</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 2020</u>	<u>Current Year Issuance</u>	<u>Current Year Matured</u>	<u>Outstanding June 30, 2021</u>
Election 2012 - Series 2013	4.00-5.35%	2044	\$ 30,489,971	\$ -	\$ 1,170,000	\$ 29,319,971
Election 2012 - Series 2015	4.00-5.00%	2041	22,645,000	-	425,000	22,220,000
Election 2018 - Series 2020	2.00-5.00%	2045	-	<u>35,170,000</u>	-	<u>35,170,000</u>
			<u>\$ 53,134,971</u>	<u>\$ 35,170,000</u>	<u>\$ 1,595,000</u>	<u>\$ 86,709,971</u>

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 6 - LONG-TERM LIABILITIES (Continued)

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.

On July 9, 2020 the District issued Election of 2018, Series 2020 General Obligation Bonds, totaling \$35,170,000. The proceeds of the Bonds are being used to fund facility and technology upgrades, and school security measures. The Bonds mature through August 1, 2044 with interest rates ranging from 2.0% to 5.0%.

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

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2022	\$ 5,290,000	\$ 2,809,457	\$ 8,099,457
2023	5,165,000	2,548,082	7,713,082
2024	2,055,000	2,367,582	4,422,582
2025	1,860,237	2,618,589	4,478,826
2026	1,717,851	2,880,343	4,598,194
2027-2031	8,996,604	14,622,865	23,619,469
2032-2036	9,813,809	15,806,608	25,620,417
2037-2041	27,151,470	11,890,871	39,042,341
2042-2045	24,660,000	1,608,650	26,268,650
	<u>\$ 86,709,971</u>	<u>\$ 57,153,047</u>	<u>\$ 143,863,018</u>

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, 2034. Proceeds from the issuance of the 2018 COPs were used for the acquisition, construction, modernization, and installation of school facilities improvements. During the year ended June 30, 2021, the District used funds accumulated from unrestricted resources to execute an early prepayment on the 2018 COPS totaling \$36,545,000.

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 6 - LONG-TERM LIABILITIES (Continued)

Scheduled payments for the 2015 COPs are as follows:

Year Ending <u>June 30,</u>	<u>COPs Payments</u>
2022	\$ 1,291,288
2023	1,338,413
2024	1,386,163
2025	1,341,663
2026	1,297,163
2027-2031	6,105,641
2032-2036	4,908,100
2037-2039	<u>2,338,600</u>
Total payments	20,007,031
Less amount representing interest	<u>(4,972,031)</u>
Net present value of minimum payments	<u>\$ 15,035,000</u>

Scheduled payments for the 2018 COPs are as follows:

Year Ending <u>June 30,</u>	<u>COPs Payments</u>
2022	\$ 1,943,981
2023	1,943,731
2024	1,942,631
2025	1,940,331
2026	1,941,831
2027-2031	9,711,700
2032-2036	<u>5,469,200</u>
Total payments	24,893,405
Less amount representing interest	<u>(5,168,405)</u>
Net present value of minimum payments	<u>\$ 19,725,000</u>

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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, 2021, the historical cost of capital assets acquired in connection with the leases totaled \$3,041,281 and the accumulated depreciation was \$1,041,139.

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

Year Ending <u>June 30,</u>	<u>Lease Payments</u>
2022	\$ 527,825
2023	406,708
2024	126,196
2025	<u>63,098</u>
Total payments	1,123,827
Less amount representing interest	<u>(37,657)</u>
Net present value of minimum lease payments	<u>\$ 1,086,170</u>

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2021 is shown below:

	<u>Balance</u>			<u>Balance</u>	<u>Amounts</u>
	<u>June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2021</u>	<u>Due Within</u>
					<u>One Year</u>
Governmental Activities					
<u>Debt:</u>					
General Obligation Bonds	\$ 53,134,971	\$ 35,170,000	\$ 1,595,000	\$ 86,709,971	\$ 5,290,000
Unamortized premiums	4,374,189	1,372,981	172,452	5,574,718	217,317
Accreted interest	4,256,134	752,326	-	5,008,460	-
Certificates of Participation	73,190,000	-	38,430,000	34,760,000	2,020,000
Capitalized lease obligations	1,580,937	-	494,767	1,086,170	505,704
<u>Other Long-Term Liabilities:</u>					
Net pension liability (Note 8 & 9)	328,119,000	31,633,000	-	359,752,000	-
Net OPEB Liability (Note 10)	85,062,340	3,215,809	-	88,278,149	-
Compensated absences	1,016,799	-	7,471	1,009,328	-
	<u>\$ 550,734,370</u>	<u>\$ 72,144,116</u>	<u>\$ 40,699,690</u>	<u>\$ 582,178,796</u>	<u>\$ 8,033,021</u>

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)

VISALIA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 7 - FUND BALANCES

Fund balances, by category, at June 30, 2021 consisted of the following:

	General <u>Fund</u>	Building <u>Fund</u>	All Non-Major <u>Funds</u>	<u>Total</u>
Nonspendable:				
Revolving cash fund	\$ 88,181	\$ -	\$ 18,095	\$ 106,276
Stores inventory	241,610	-	303,064	544,674
Prepaid expenditures	<u>1,611,706</u>	-	-	<u>1,611,706</u>
Subtotal nonspendable	<u>1,941,497</u>	-	<u>321,159</u>	<u>2,262,656</u>
Restricted:				
Legally restricted:				
Grants	46,277,328	-	-	46,277,328
Student body activities	-	-	1,575,479	1,575,479
Adult education program	-	-	7,832,760	7,832,760
Child development program	-	-	636,598	636,598
Cafeteria operations	-	-	3,472,297	3,472,297
Capital projects	-	31,860,522	20,173,286	52,033,808
Debt service	<u>-</u>	<u>-</u>	<u>13,524,756</u>	<u>13,524,756</u>
Subtotal restricted	<u>46,277,328</u>	<u>31,860,522</u>	<u>47,215,176</u>	<u>125,353,026</u>
Committed:				
Other postemployment benefits	26,399,477	-	-	26,399,477
Pension reserves	7,011,000	-	-	7,011,000
LCAP reserves	<u>2,590,970</u>	<u>-</u>	<u>-</u>	<u>2,590,970</u>
Subtotal committed	<u>36,001,447</u>	<u>-</u>	<u>-</u>	<u>36,001,447</u>
Assigned:				
LCAP Balances carry-over	9,062,388	-	-	9,062,388
Site donations carryover	1,537,797	-	-	1,537,797
Reserve for declining enrollment	<u>1,500,000</u>	<u>-</u>	<u>-</u>	<u>1,500,000</u>
Subtotal assigned	<u>12,100,185</u>	<u>-</u>	<u>-</u>	<u>12,100,185</u>
Unassigned:				
Designated for economic uncertainty	44,795,761	-	-	44,795,761
Unassigned	<u>209,931</u>	<u>-</u>	<u>-</u>	<u>209,931</u>
Subtotal unassigned	<u>45,005,692</u>	<u>-</u>	<u>-</u>	<u>45,005,692</u>
Total fund balances	<u>\$ 141,326,149</u>	<u>\$ 31,860,522</u>	<u>\$ 47,536,335</u>	<u>\$ 220,723,006</u>

(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, up to the 2.4 maximum.

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.

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.

(Continued)

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

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

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 required 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 2021–21, 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 percent less than the statutory rate for fiscal year 2020–21 and 2.18 percent 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 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.

In addition, the board's rate-setting authority for the state contribution rate was suspended for fiscal year 2020–21 by AB 84. Although the board exercised its authority in May 2020 to increase the state contribution rate by 0.50 percent effective July 1, 2020, the rate increase did not go into effect. Instead, the state rate remained at the 2019–20 level of 7.828 percent.

A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program pursuant to the CalSTRS Funding Plan, SB 90 and AB 84, are as follows:

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2020-21 .

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 2020-21. 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 1percent since the last timethe member contribution rate was set. Based on the June 30, 2019, valuation adopted by the board in May 2020, the increase in normal cost was less than 1percent. Therefore, the contribution rate for CalSTRS 2% at 62 members did not change effective July 1, 2020.

Employers – 16.15 percent of applicable member earnings. This rate reflects the original employer contribution rate of 19.10 percent resulting from the CalSTRS Funding Plan, and subsequently reduced for the 2.95 percentage points to be paid on behalf of employers pursuant to SB 90 and AB 84.

The CalSTRS Funding Plan, which was enacted in June 2014 with the passage of California Assembly Bill (AB 1469), required that 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 gave 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.

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

The CalSTRS employer contribution rate increases effective for fiscal year 2020-21 through fiscal year 2045-46 are summarized in the table below:

<u>Effective Date</u>	<u>Base Rate</u>	<u>Supplemental Rate Per CalSTRS Funding Plan</u>	<u>Rate Adjustment Per Special Legislation</u>	<u>Total</u>
July 1, 2020	8.250%	10.850%	(2.950%)	16.150%
July 1, 2021	8.250%	10.850%	(2.180%)	16.920%
July 1, 2022 to June 30, 2046	8.250%	(1)	N/A	(1)
July 1, 2046	8.250%	Increase from AB 1469 rate ends in 2046-47		

(1) The CalSTRS Funding Plan authorizes the board to adjust the employer contribution rate up or down by up to 1% each year, but no higher than 20.250% total and no lower than 8.250%.

The District contributed \$23,692,415 to the plan for the fiscal year ended June 30, 2021.

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

The state’s base contribution to the DB Program is calculated based on creditable compensation from two fiscal years prior. As a result of the CalSTRS Funding Plan, the state is required to make additional contributions to pay down the unfunded liabilities associated with the benefit structure that was in place in 1990 prior to certain enhancements in benefits and reductions in contributions. The additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specified in subdivision (b) of Education Code section 22955.1. The increased contributions end as of fiscal year 2045–46. Pursuant to AB 84, the state contribution rate remained at 5.811% for fiscal year 2020-21.

The CalSTRS state contribution rates effective for fiscal year 2019 -2021 and beyond are summarized in the table below:

<u>Effective Date</u>	<u>Base Rate</u>	<u>Supplemental Rate Per CalSTRS Funding Plan</u>	<u>SBMA Funding⁽¹⁾</u>	<u>Total</u>
July 01, 2020	2.017%	5.811%	2.50%	10.328%
July 01, 2021	2.017%	6.311%	2.50%	10.828%
July 01, 2022 to June 30, 2046	2.017%	(2)	2.50%	(2)
July 01, 2046	2.017%	(3)	2.50%	(3)

(1) The SBMA contribution rate excludes the \$72 million that is reduced from the required contribution in accordance with Education Code section 22954.

(2) The board has limited authority to adjust the state contribution rate annually through June 2046 in order to eliminate the remaining unfunded actuarial obligation. The board cannot increase the supplemental rate by more than 0.5% in a fiscal year, and if there is no unfunded actuarial obligation, the supplemental contribution rate imposed would be reduced to 0%.

(3) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining unfunded actuarial obligation.

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

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

District’s proportionate share of the net pension liability	\$	242,753,000
State’s proportionate share of the net pension liability associated with the District		<u>132,663,000</u>
Total	\$	<u>375,416,000</u>

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. 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, 2020, the District’s proportion was 0.250 percent, which was an increase of 0.003 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$53,408,336 and revenue of \$17,583,248 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 428,000	\$ 6,846,000
Changes of assumptions	23,672,000	-
Net differences between projected and actual earnings on investments	5,766,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	13,593,000	-
Contributions made subsequent to measurement date	<u>23,692,415</u>	<u>-</u>
Total	<u>\$ 67,151,415</u>	<u>\$ 6,846,000</u>

\$23,692,415 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, 2022.

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

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 <u>June 30,</u>		
2022	\$	5,741,083
2023	\$	11,226,083
2024	\$	13,221,584
2025	\$	5,269,584
2026	\$	692,333
2027	\$	462,333

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, 2020 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.

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, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2019
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

Discount Rate: The discount rate used to measure the total pension liability was 7.10 percent, which was unchanged from the prior fiscal year. 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.

Mortality: 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-2019) table, issued by the Society of Actuaries.

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

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

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 investment staff and investment consultants as inputs to the process.

The actuarial investment rate of return assumption was adopted by the CalSTRS board in January 2020 in conjunction with the most recent experience study. For each current and 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:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Public Equity	42%	4.8%
Real Estate Assets	15	3.6
Private Equity	13	6.3
Fixed Income	12	1.3
Risk Mitigating Strategies	10	1.8
Inflation Sensitive	6	3.3
Cash / Liquidity	2	(0.4)

* 20-year geometric average

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 <u>(6.10%)</u>	Current Discount Rate <u>(7.10%)</u>	1% Increase <u>(8.10%)</u>
District’s proportionate share of the net pension liability	<u>\$ 366,766,000</u>	<u>\$ 242,753,000</u>	<u>\$ 140,363,000</u>

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-2020.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, 2021 were as follows:

Members - The member contribution rate was 7.0 percent of applicable member earnings for fiscal year 2020-21.

Employers - The employer contribution rate was 20.70 percent of applicable member earnings.

The District contributed \$11,294,635 to the plan for the fiscal year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$116,999,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. 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, 2020, the District’s proportion was 0.381 percent, which was an increase of 0.020 percent from its proportion measured as of June 30, 2019.

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

For the year ended June 30, 2021, the District recognized pension expense of \$23,988,408. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 5,803,000	\$ -
Changes of assumptions	429,000	-
Net differences between projected and actual earnings on investments	2,435,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	6,412,000	-
Contributions made subsequent to measurement date	11,294,635	-
Total	\$ 26,373,635	\$ -

\$11,294,635 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2022	\$ 6,191,083
2023	\$ 4,592,083
2024	\$ 3,175,084
2025	\$ 1,120,750

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, 2020, 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.

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2019
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, 2019 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.

<u>Asset Class</u>	<u>Long -Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return Years of 1 - 10 ⁽¹⁾</u>	<u>Expected Real Rate of Return Years of 11+ ⁽²⁾</u>
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

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

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 pension fund cash flows. Using historical and forecasted information for all the funds’ asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the 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 equal 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 <u>(6.15%)</u>	Current Discount Rate <u>(7.15%)</u>	1% Increase <u>(8.15%)</u>
District’s proportionate share of the net pension liability	<u>\$ 168,208,000</u>	<u>\$ 116,999,000</u>	<u>\$ 74,499,000</u>

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.

The District has established an irrevocable trust through Public Agency Retirement Services (PARS), for the purpose of prefunding the costs of other postemployment benefits related to the District's net OPEB liability. The funds are held, and will be administered, by PARS as an agent multiple-employer trust (Trust). Assets contributed to the Trust are included in 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 paid through the Plan as benefits from the District were \$6,049,531 for the year ended June 30, 2021. District contributions to Trust are voluntary, and there were no contributions to the Trust for the year ended June 30, 2021. Employees are not required to contribute to the OPEB plan.

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

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:

<u>Asset Class</u>	<u>Percentage of Portfolio</u>	<u>Rate of Return*</u>
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:

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

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2020 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:

<u>Valuation Date</u>	June 30, 2019
<u>Actuarial Method</u>	Entry Age actuarial cost method
<u>Discount Rate</u>	5.00%.

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2021

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

<u>Long-Term Investment Rate of Return</u>	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.
<u>Mortality Rates</u>	Mortality rates are taken from the 2017 CalPERS OPEB Assumptions Model (for classified employees) and from the 2016 valuation of CalSTRS (for certificated employees).
<u>Health Care Increases</u>	Medical insurance premiums are assumed to increase by 5.00% in fiscal 2021 onwards. Future retiree contributions are assumed to remain unchanged after 2018.
<u>Turnover/Retirement Rates</u>	Termination and retirement rates were taken from the most recent experience studies for CalPERS (2017) and CalSTRS (2016).
<u>Inflation Rate</u>	2.75% per year
<u>Salary Increases</u>	3.00% per year
<u>Coverage Elections</u>	100% of eligible employees are assumed to elect coverage upon retirement, and to remain covered under the District plans until age 65.
<u>Medicare Coverage</u>	All current and future participating retirees and spouses will qualify for Medicare coverage and enroll in Parts A and B upon age 65.
<u>Medical Claims</u>	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

<u>Age</u>	<u>Cost</u>
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)

VISALIA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Total Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance at July 1, 2020	\$ 87,699,142	\$ 2,636,802	\$ 85,062,340
Changes for the year:			
Service cost	5,464,298	-	5,464,298
Interest	4,224,719	-	4,224,719
Employer contributions	-	6,409,531	(6,409,531)
Net investment income	-	63,677	(63,677)
Benefits paid to retirees	(6,409,531)	(6,409,531)	-
Net change	3,279,486	63,677	3,215,809
Balance at June 30, 2021	\$ 90,978,628	\$ 2,700,479	\$ 88,278,149

There were no changes between the measurement date and the year ended June 30, 2021 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, 2021 2.97%

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	\$ 96,972,103	\$ 88,278,149	\$ 80,502,292

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:

	1% Decrease (4.0%)	Healthcare Cost Trend Rates Rate (5.0%)	1% Increase (6.0%)
Net OPEB liability	\$ 77,815,695	\$ 88,278,149	\$ 100,686,541

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$8,744,627. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 6,584,804
Changes in assumptions	-	1,313,021
Net differences between projected and actual earnings on investments	59,226	84,704
Benefits paid subsequent to measurement date	<u>6,244,270</u>	<u>-</u>
Total	<u>\$ 6,303,496</u>	<u>\$ 7,982,529</u>

\$6,244,270 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, 2022. 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 <u>June 30,</u>		
2022	\$	(812,548)
2023	\$	(775,318)
2024	\$	(751,580)
2025	\$	(753,148)
2026	\$	(766,779)
Thereafter	\$	(4,063,930)

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.

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
6/30/2021

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 pools. 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, 2021 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 TCSIG and TCSSIA, September 30, 2020 (most recent information available) for SISC III, and June 30, 2021 for NCR, SAFER, and PIPS are as follows:

	<u>SAFER</u>	<u>SISC III</u>	<u>TCSIG</u>	<u>TCSSIA</u>	<u>PIPS</u>	<u>NCR</u>
Total assets	\$ 43,779,353	\$ 894,318,838	\$ 2,660,532	\$ 2,087,455	\$ 191,377,661	\$ 82,004,796
Total liabilities	\$ 41,873,705	\$ 210,116,678	\$ 1,348,289	\$ 701,320	\$ 129,353,377	\$ 51,323,041
Net position	\$ 1,905,648	\$ 684,202,160	\$ 1,312,243	\$ 1,386,135	\$ 62,024,284	\$ 30,681,755
Total revenues	\$ 101,923,130	\$ 2,639,716,772	\$ 25,820,008	\$ 3,871,180	\$ 329,018,404	\$ 78,041,010
Total expenses	\$ 101,673,081	\$ 2,482,489,489	\$ 25,533,078	\$ 3,723,191	\$ 309,066,485	\$ 63,589,183
Change in net position	\$ 250,049	\$ 157,227,283	\$ 286,930	\$ 147,989	\$ 19,951,919	\$ 14,451,827

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, 2021, the District has approximately \$6.7 million in outstanding commitments on construction contracts.

REQUIRED SUPPLEMENTARY INFORMATION

VISALIA UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2021

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 230,735,011	\$ 249,634,438	\$ 249,634,438	\$ -
Local sources	<u>42,641,066</u>	<u>47,245,112</u>	<u>47,245,112</u>	<u>-</u>
Total LCFF	<u>273,376,077</u>	<u>296,879,550</u>	<u>296,879,550</u>	<u>-</u>
Federal sources	28,202,126	40,316,822	39,916,466	(400,356)
Other state sources	29,734,654	50,062,900	50,062,900	-
Other local sources	<u>11,993,510</u>	<u>26,930,980</u>	<u>27,393,859</u>	<u>462,879</u>
Total revenues	<u>343,306,367</u>	<u>414,190,252</u>	<u>414,252,775</u>	<u>62,523</u>
Expenditures:				
Current:				
Certificated salaries	146,965,917	159,153,359	150,145,568	9,007,791
Classified salaries	51,182,302	52,243,007	51,987,821	255,186
Employee benefits	105,096,501	103,365,928	99,460,180	3,905,748
Books and supplies	12,093,237	114,457,191	24,628,380	89,828,811
Contract services and operating expenditures	20,645,697	39,745,965	30,640,938	9,105,027
Other outgo	2,859,422	2,790,532	2,790,532	-
Capital outlay	1,800,621	14,156,398	9,753,704	4,402,694
Debt service:				
Principal retirement	494,769	494,767	494,767	-
Interest	<u>32,528</u>	<u>33,057</u>	<u>33,057</u>	<u>-</u>
Total expenditures	<u>341,170,994</u>	<u>486,440,204</u>	<u>369,934,947</u>	<u>116,505,257</u>
Excess of revenues over expenditures	<u>2,135,373</u>	<u>(72,249,952)</u>	<u>44,317,828</u>	<u>116,567,780</u>
Other financing (uses) sources:				
Transfers in	1,056,614	807,859	1,729,072	921,213
Transfers out	<u>(1,843,608)</u>	<u>(8,522,498)</u>	<u>(19,076,190)</u>	<u>(10,553,692)</u>
Total other financing (uses) sources	<u>(786,994)</u>	<u>(7,714,639)</u>	<u>(17,347,118)</u>	<u>(9,632,479)</u>
Change in fund balance	1,348,379	(79,964,591)	26,970,710	106,935,301
Fund balance, July 1, 2020	<u>114,355,439</u>	<u>114,355,439</u>	<u>114,355,439</u>	<u>-</u>
Fund balance, June 30, 2021	<u>\$ 115,703,818</u>	<u>\$ 34,390,848</u>	<u>\$ 141,326,149</u>	<u>\$ 106,935,301</u>

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, 2021

	Last 10 Fiscal Years			
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total OPEB liability				
Service cost	\$ 4,824,244	\$ 4,968,971	\$ 5,118,040	\$ 5,464,298
Interest	4,279,826	4,372,579	4,525,284	4,224,719
Differences between actual and expected experience	-	-	(7,863,406)	-
Assumption changes	-	-	(1,567,977)	-
Benefit payments	<u>(7,960,101)</u>	<u>(6,537,924)</u>	<u>(6,036,957)</u>	<u>(6,409,531)</u>
Net change in total OPEB liability	1,143,969	2,803,626	(5,825,016)	3,279,486
Total OPEB liability, beginning of year	<u>89,576,563</u>	<u>90,720,532</u>	<u>93,524,158</u>	<u>87,699,142</u>
Total OPEB liability, end of year (a)	<u>\$ 90,720,532</u>	<u>\$ 93,524,158</u>	<u>\$ 87,699,142</u>	<u>\$ 90,978,628</u>
Plan fiduciary net position				
Contributions - employer	\$ 7,960,101	\$ 6,537,924	\$ 6,036,957	\$ 6,409,531
Net investment income	286,142	232,967	118,109	63,677
Benefit payments	<u>(7,960,101)</u>	<u>(6,537,924)</u>	<u>(6,036,957)</u>	<u>(6,409,531)</u>
Net change in plan fiduciary net position	286,142	232,967	118,109	63,677
Plan fiduciary net position, beginning of year	<u>1,999,584</u>	<u>2,285,726</u>	<u>2,518,693</u>	<u>2,636,802</u>
Plan fiduciary net position, end of year (b)	<u>\$ 2,285,726</u>	<u>\$ 2,518,693</u>	<u>\$ 2,636,802</u>	<u>\$ 2,700,479</u>
Net OPEB liability, end of year (a) - (b)	<u>\$ 88,434,806</u>	<u>\$ 91,005,465</u>	<u>\$ 85,062,340</u>	<u>\$ 88,278,149</u>
Covered employee payroll	\$ 169,274,768	\$ 180,359,723	\$ 191,626,869	\$ 205,437,892
Plan fiduciary net position as a percentage of covered-employee payroll	1.35%	1.40%	1.38%	1.31%
Net OPEB liability as a percentage of covered-employee payroll	52.24%	50.46%	44.39%	42.97%

(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, 2021

	State Teachers' Retirement Plan Last 10 Fiscal Years						
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
District's proportion of the net pension liability	0.220%	0.225%	0.230%	0.229%	0.239%	0.247%	0.250%
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	\$ 242,753,000
State's proportionate share of the net pension liability associated with the District	<u>77,720,000</u>	<u>80,069,000</u>	<u>105,706,000</u>	<u>125,053,000</u>	<u>125,910,000</u>	<u>121,642,000</u>	<u>132,663,000</u>
Total net pension liability	<u>\$ 206,428,000</u>	<u>\$ 231,460,000</u>	<u>\$ 291,372,000</u>	<u>\$ 336,435,000</u>	<u>\$ 345,821,000</u>	<u>\$ 344,604,000</u>	<u>\$ 375,416,000</u>
District's covered payroll	\$ 98,100,000	\$ 104,372,000	\$ 114,403,000	\$ 121,141,000	\$ 128,590,000	\$ 135,001,000	\$ 135,255,000
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%	179.48%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%	70.99%	72.56%	71.82%

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, 2021

	Public Employer's Retirement Fund B Last 10 Fiscal Years						
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
District's proportion of the net pension liability	0.285%	0.298%	0.312%	0.326%	0.349%	0.361%	0.381%
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	\$ 116,999,000
District's covered payroll	\$ 29,950,000	\$ 32,996,000	\$ 37,465,000	\$ 41,524,000	\$ 45,957,000	\$ 50,023,000	\$ 54,927,000
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%	213.01%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%	70.85%	70.05%	70.00%

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, 2021

	State Teachers' Retirement Plan Last 10 Fiscal Years						
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Contractually required contribution	\$ 9,268,239	\$ 12,275,486	\$ 15,239,531	\$ 18,555,488	\$ 21,978,106	\$ 24,695,088	\$ 23,692,415
Contributions in relation to the contractually required contribution	<u>(9,268,239)</u>	<u>(12,275,486)</u>	<u>(15,239,531)</u>	<u>(18,555,488)</u>	<u>(21,978,106)</u>	<u>(24,695,088)</u>	<u>(23,692,415)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 104,372,000	\$ 114,403,000	\$ 121,141,000	\$ 128,590,000	\$ 135,001,000	\$ 135,255,000	\$ 124,044,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%	16.28%	17.10% *	16.15% **

* 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.

** This rate reflects the original employer contribution rate of 19.10 percent under AB1469, reduced for the 2.95 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, 2021

Public Employer's Retirement Fund B
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Contractually required contribution	\$ 3,883,945	\$ 4,438,484	\$ 5,767,704	\$ 7,137,659	\$ 9,035,122	\$ 10,817,408	\$ 11,294,635
Contributions in relation to the contractually required contribution	<u>(3,883,945)</u>	<u>(4,438,484)</u>	<u>(5,767,704)</u>	<u>(7,137,659)</u>	<u>(9,035,122)</u>	<u>(10,817,408)</u>	<u>(11,294,635)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 32,996,000	\$ 37,465,000	\$ 41,524,000	\$ 45,957,000	\$ 50,023,000	\$ 54,927,000	\$ 54,563,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%	18.06%	19.72%	20.70%

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

VISALIA UNIFIED SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

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, 7.15 and 7.15 percent in the June 30, 2013, 2014, 2015, 2016, 2017, 2018 and 2019 actuarial reports, respectively.

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

<u>Assumptions</u>	<u>Measurement period</u>					
	<u>As of June 30 2020</u>	<u>As of June 30 2019</u>	<u>As of June 30, 2018</u>	<u>As of June 30, 2017</u>	<u>As of June 30, 2016</u>	<u>As of June 30, 2015</u>
Consumer price inflation	2.75%	2.75%	2.75%	2.75%	3.00%	3.00%
Investment rate of return	7.10	7.10	7.10	7.10	7.60	7.60
Wage growth	3.50	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, 2021

	Student Activity Fund	Adult Education Fund	Child Develop- ment Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Bond Interest and Redemption Fund	Debt Service Fund	Total
ASSETS										
Cash in County Treasury	\$ 609,036	\$ 7,182,700	\$ 187,881	\$ 3,969,845	\$ 6,240,991	\$ 953,372	\$ 545,102	\$ 13,524,756	\$ -	\$ 33,213,683
Cash on hand and in banks	967,372	147,179	-	4,967	-	-	-	-	-	1,119,518
Cash in revolving fund	18,095	-	-	-	-	-	-	-	-	18,095
Receivables	65	831,952	1,721,096	1,607,276	944,759	-	-	-	-	5,105,148
Stores inventory	-	-	-	303,064	-	-	-	-	-	303,064
Due from other funds	-	-	-	-	-	-	12,556,807	-	-	12,556,807
Total assets	\$ 1,594,568	\$ 8,161,831	\$ 1,908,977	\$ 5,885,152	\$ 7,185,750	\$ 953,372	\$ 13,101,909	\$ 13,524,756	\$ -	\$ 52,316,315
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ 994	\$ 75,062	\$ 218,315	\$ 23,452	\$ 7,518	\$ 379,025	\$ 681,202	\$ -	\$ -	\$ 1,385,568
Unearned revenue	-	-	514,032	-	-	-	-	-	-	514,032
Due to other funds	-	254,009	540,032	2,086,339	-	-	-	-	-	2,880,380
Total liabilities	994	329,071	1,272,379	2,109,791	7,518	379,025	681,202	-	-	4,779,980
Fund balances:										
Nonspendable	18,095	-	-	303,064	-	-	-	-	-	321,159
Restricted	1,575,479	7,832,760	636,598	3,472,297	7,178,232	574,347	12,420,707	13,524,756	-	47,215,176
Total fund balance	1,593,574	7,832,760	636,598	3,775,361	7,178,232	574,347	12,420,707	13,524,756	-	47,536,335
Total liabilities and fund balances	\$ 1,594,568	\$ 8,161,831	\$ 1,908,977	\$ 5,885,152	\$ 7,185,750	\$ 953,372	\$ 13,101,909	\$ 13,524,756	\$ -	\$ 52,316,315

VISALIA UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
 ALL NON-MAJOR FUNDS
 For the Year Ended June 30, 2021

	Student Activity Fund	Adult Education Fund	Child Develop- ment Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Projects Fund	Bond Interest and Redemption Fund	Debt Service Fund	Total
Revenues:										
Federal sources	\$ -	\$ 484,211	\$ 367,998	\$ 8,498,922	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,351,131
Other state sources	-	5,608,582	3,662,902	1,808,597	-	25,808,230	-	-	-	36,888,311
Other local sources	435,156	450,346	8,370	162,533	7,699,830	262,051	157,740	7,580,585	-	16,756,611
Total revenues	435,156	6,543,139	4,039,270	10,470,052	7,699,830	26,070,281	157,740	7,580,585	-	62,996,053
Expenditures:										
Current:										
Certificated salaries	1,771	2,525,061	249,388	-	-	-	-	-	-	2,776,220
Classified salaries	397	681,096	1,257,906	4,066,632	-	-	-	-	-	6,006,031
Employee benefits	-	1,629,442	530,854	2,604,700	-	-	-	-	-	4,764,996
Books and supplies	188,851	219,418	427,396	2,239,467	6,165	241,930	50,223	-	-	3,373,450
Contract services and operating expenditures	473,530	418,068	194,217	127,009	858,834	92,937	453,679	-	-	2,618,274
Capital outlay	-	159,736	734,505	-	156,828	1,622,186	10,014,153	-	-	12,687,408
Debt service:										
Principal Retirement	-	-	-	-	-	-	-	1,595,000	38,430,000	40,025,000
Interest	-	-	-	-	446,816	604,065	-	2,492,706	1,658,082	5,201,669
Total expenditures	664,549	5,632,821	3,394,266	9,037,808	1,468,643	2,561,118	10,518,055	4,087,706	40,088,082	77,453,048
(Deficiency) excess of revenues (under) over expenditures	(229,393)	910,318	645,004	1,432,244	6,231,187	23,509,163	(10,360,315)	3,492,879	(40,088,082)	(14,456,995)
Other financing (uses) sources:										
Transfers in	-	-	-	-	-	-	18,211,806	-	40,088,082	58,299,888
Transfers out	-	(225,076)	(513,156)	(330,354)	(4,836,019)	(34,000,000)	-	-	-	(39,904,605)
Proceeds from the sale of land	-	-	-	-	-	-	865,000	-	-	865,000
Debt issuance premiums	-	-	-	-	-	-	-	1,181,866	-	1,181,866
Total other financing (uses) sources	-	(225,076)	(513,156)	(330,354)	(4,836,019)	(34,000,000)	19,076,806	1,181,866	40,088,082	20,442,149
Net change in fund balances	(229,393)	685,242	131,848	1,101,890	1,395,168	(10,490,837)	8,716,491	4,674,745	-	5,985,154
Fund balance, July 1, 2020	-	7,147,518	504,750	2,673,471	5,783,064	11,065,184	3,704,216	8,850,011	-	39,728,214
Cumulative effect of										
GASB 84 implementation	1,822,967	-	-	-	-	-	-	-	-	1,822,967
Fund balance, July 1, 2020, as restated	1,822,967	7,147,518	504,750	2,673,471	5,783,064	11,065,184	3,704,216	8,850,011	-	41,551,181
Fund balance, June 30, 2021	\$ 1,593,574	\$ 7,832,760	\$ 636,598	\$ 3,775,361	\$ 7,178,232	\$ 574,347	\$ 12,420,707	\$ 13,524,756	\$ -	\$ 47,536,335

VISALIA UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2021

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, 2021 was comprised of the following members:

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Juan R. Guerrero	President	2022
Walta S. Gamoian	Clerk	2022
Megan Casebeer Soleno	Member	2024
John L. Crabtree	Member	2022
Jacqueline A. Gaebe	Member	2024
Joy M. Naylor	Member	2022
Christopher Pope	Member	2024

ADMINISTRATION

Tamara Ravalín Ed. D.*
Superintendent

Dedi Somavia
Assistant Superintendent, Human Resources Development

Doug Cardoza
Assistant Superintendent, Educational Services

Nathan Hernandez
Chief Business Officer

Erik Kehrer
Chief Operations Officer

* Effective August 31, 2021, Tamara Ravalín Ed. D. retired as Superintendent of the District. Doug Cardoza was appointed Interim Superintendent beginning September 1, 2021.

VISALIA UNIFIED SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 For the Year Ended June 30, 2021

<u>Grade Level</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
DISTRICT		
Kindergarten	180	In Compliance
Grade 1	180	In Compliance
Grade 2	180	In Compliance
Grade 3	180	In Compliance
Grade 4	180	In Compliance
Grade 5	180	In Compliance
Grade 6	180	In Compliance
Grade 7	180	In Compliance
Grade 8	180	In Compliance
Grade 9	180	In Compliance
Grade 10	180	In Compliance
Grade 11	180	In Compliance
Grade 12	180	In Compliance
CHARTER SCHOOLS		
<u>Visalia Technical Early College</u>		
Grade 9	180	In Compliance
Grade 10	180	In Compliance
Grade 11	180	In Compliance
Grade 12	180	In Compliance
<u>Global Learning Charter School</u>		
Kindergarten	180	In Compliance
Grade 1	180	In Compliance
Grade 2	180	In Compliance
Grade 3	180	In Compliance
Grade 4	180	In Compliance
Grade 5	180	In Compliance
Grade 6	180	In Compliance
Grade 7	180	In Compliance
Grade 8	180	In Compliance

See accompanying notes to supplementary information.

VISALIA UNIFIED SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2021

Assistance Listing (AL) Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expend- itures
<u>U.S. Department of Education - Direct Award</u>			
84.184G	School Climate Transformation Program	N/A	\$ <u>616,296</u>
<u>U.S. Department of Education - Passed through California Department of Education</u>			
Special Education Cluster:			
84.027	Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611	13379	<u>5,185,781</u>
Adult Education Programs:			
84.002	Adult Education: Adult Secondary Education	13978	218,599
84.002A	Adult Education: Adult Basic Education & ESL	14508	139,404
84.002	Adult Education: Institutionalized Adults	13971	40,228
84.002	Adult Education: English Literacy & Civics Education Local Grant	14750	<u>29,268</u>
Subtotal Adult Education Programs			<u>427,499</u>
Title I, Part A Programs:			
84.010	ESSA: Title I, Part A, Basic Grants	14329	6,707,792
84.010	ESSA School Improvement (CSI) Funding for LEAs	15438	<u>477,910</u>
Subtotal Title I, Part A Programs			<u>7,185,702</u>
Carl D. Perkins Programs:			
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	266,642
84.048	Carl D. Perkins Career and Technical Education: Adult, Section 132 (Vocational Education)	14893	<u>56,712</u>
Subtotal Carl Perkins Programs			<u>323,354</u>
Title I, Part C Programs:			
84.011	ESEA: Title I, Part C, Migrant Education	14326	390,825
84.011	ESEA: Title I, Part C, Migrant Education Summer Program	10005	86,077
84.011	ESEA: Title I, Part C	10144	<u>55,262</u>
Subtotal Title I, Part C Programs			<u>532,164</u>

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2021

Assistance Listing (AL) <u>Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	Pass- Through Entity Identifying <u>Number</u>	Federal Expend- itures
<u>U.S. Department of Education - Passed through</u>			
<u>California Department of Education (Continued)</u>			
	Education Stabilization Fund (ESF) Programs:		
84.425D	COVID-19: Elementary and Secondary School Emergency Relief (ESSER I) Fund	15536	\$ 3,222,464
84.425D	COVID-19: Elementary and Secondary School Emergency Relief (ESSER II) Fund	15547	221,023
84.425C	COVID-19: Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	15517	<u>35,234</u>
	Subtotal ESF Programs:		<u>3,478,721</u>
84.060	Indian Education	10011	176,977
84.126A	Rehabilitation Services: Vocational Rehabilitation Grants	10006	62,366
84.365	ESEA: Title III, English Learner Student Program	14346	387,044
84.367	ESEA: Title II, Part A Supporting Effective Instruction	14341	956,484
84.424	ESEA: Title IV, Part A, Student Support and Academic Enrichment Grants	15396	<u>468,106</u>
	Total U.S. Department of Education		<u>19,800,494</u>
<u>U.S. Department of Health and Human Services - Passed through</u>			
<u>California Department of Education</u>			
93.778	Medi-Cal Billing Option - Medicaid Cluster	10013	649,269
93.575	Federal Child-Care, Center-Based - CCDF Cluster	15136	<u>244,518</u>
	Total U.S. Department of Health and Human Services		<u>893,787</u>
<u>U.S. Department of Agriculture - Passed through California Department</u>			
<u>of Education</u>			
	Child Nutrition Cluster:		
10.555	National School Lunch Program (NSLP)	13396	5,238,864
10.553	Basic Breakfast	13390	376,945
10.553	Especially Needy Breakfast	13526	<u>2,883,113</u>
	Total U.S. Department of Agriculture		<u>8,498,922</u>
<u>U.S. Department of the Treasury - Passed through California Department</u>			
<u>of Education</u>			
21.019	COVID-19: Coronavirus Relief Fund: Learning Loss Mitigation	25516	<u>20,255,543</u>
	Total Federal Programs		<u>\$ 49,448,746</u>

See accompanying notes to supplementary information.

VISALIA UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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

See accompanying notes to supplementary information.

VISALIA UNIFIED SCHOOL DISTRICT
 SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
 For the Year Ended June 30, 2021
 (UNAUDITED)

	(Budget) <u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 462,163,990	\$ 415,981,847	\$ 368,855,507	\$ 375,331,324
Expenditures	444,292,608	369,934,947	354,927,843	348,693,838
Other uses and transfers out	<u>(4,316,288)</u>	<u>19,076,190</u>	<u>9,971,321</u>	<u>20,274,996</u>
Total outgo	<u>439,976,320</u>	<u>389,011,137</u>	<u>364,899,164</u>	<u>368,968,834</u>
Change in fund balance	<u>\$ 22,187,670</u>	<u>\$ 26,970,710</u>	<u>\$ 3,956,343</u>	<u>\$ 6,362,490</u>
Ending fund balance	<u>\$ 163,513,819</u>	<u>\$ 141,326,149</u>	<u>\$ 114,355,439</u>	<u>\$ 110,399,096</u>
Available reserves	<u>\$ 49,727,640</u>	<u>\$ 45,005,692</u>	<u>\$ 47,457,739</u>	<u>\$ 44,516,997</u>
Designated for economic uncertainties	<u>\$ 44,795,761</u>	<u>\$ 44,795,761</u>	<u>\$ 47,457,739</u>	<u>\$ 44,444,195</u>
Undesignated fund balance	<u>\$ 4,931,879</u>	<u>\$ 209,931</u>	<u>\$ -</u>	<u>\$ 72,802</u>
Available reserves as percentages of total outgo	<u>10.2%</u>	<u>11.6%</u>	<u>13.0%</u>	<u>12.1%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 574,145,775</u>	<u>\$ 582,178,796</u>	<u>\$ 550,734,370</u>	<u>\$ 543,275,409</u>
Average daily attendance at P-2, excluding Charter Schools	<u>27,036</u>	<u>26,782</u>	<u>26,782</u>	<u>26,485</u>

The fund balance of the General Fund has increased by \$37,289,543 over the past three years. The fiscal year 2021-2022 budget projects an increase of \$22,187,670. 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, 2021, 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 2021-2022.

Total long-term liabilities have increased by \$38,903,387 over the past two years, due primarily to the issuance of General Obligation Bonds.

Average daily attendance has increased by 297 over the past two years. The District anticipates an increase of 254 ADA for the 2021-2022 fiscal year.

See accompanying notes to supplementary information.

VISALIA UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2021

Charter Schools Chartered by District

Included in District
Financial Statements, or
Separate Report

1870 – Global Learning Charter School
0720 – Visalia Charter Independent Study
0250 – Charter Home School Academy
1128 – Visalia Technical Early College HS

Included in District Financial Statements
Included in District Financial Statements
Included in District Financial Statements
Included in District Financial Statements

See accompanying notes to supplementary information.

VISALIA UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
June 30, 2021

NOTE 1 – PURPOSE OF SCHEDULES

A - 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.

B - 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.

C - 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.

D - 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 2021-2022 fiscal year, as required by the State Controller's Office.

E - 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, 2021, 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 *2020-21 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, 2021.

<u>Description</u>	<u>Procedures Performed</u>
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
K-3 Grade Span Adjustment	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	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Charter Schools - Independent Study-Course Based	No, see below
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 - Charter School Facility Grant Program	No, see below

(Continued)

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 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 California Clean Energy Jobs Act because the District did not participate in this program in the current year.

We did not perform any procedures related to Independent Study- Course Based 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 *2020-21 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.

Opinion with State Laws and Regulations

In our opinion 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, 2021.

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 *2020-21 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
January 28, 2022

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, 2021, 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 January 28, 2022.

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
January 28, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE
AS REQUIRED BY UNIFORM GUIDANCE

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, 2021. 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 statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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, 2021.

(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
January 28, 2022

FINDINGS AND RECOMMENDATIONS

VISALIA UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2021

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:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173 84.425, 84.425C 21.019	Special Education Cluster COVID-19: ESF Programs COVID-19: Coronavirus Relief Fund: Learning Loss Mitigation

Dollar threshold used to distinguish between Type A and Type B programs: \$1,483,462

Auditee qualified as low-risk auditee? X Yes _____ No

STATE AWARDS

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

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

SECTION IV – STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

VISALIA UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2021

FINDING 2020-001

Condition: 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. 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.

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

Current Status: Implemented.