

VISALIA UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2019

VISALIA UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2019
(Continued)

CONTENTS

INDEPENDENT AUDITOR'S REPORT.....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	4
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION.....	17
STATEMENT OF ACTIVITIES.....	18
FUND FINANCIAL STATEMENTS:	
BALANCE SHEET - GOVERNMENTAL FUNDS.....	19
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET - TO THE STATEMENT OF NET POSITION.....	20
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS.....	21
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS - TO THE STATEMENT OF ACTIVITIES.....	22
STATEMENT OF NET POSITION - PROPRIETARY FUND - SELF-INSURANCE FUND.....	23
STATEMENT OF CHANGE IN NET POSITION - PROPRIETARY FUND - SELF-INSURANCE FUND.....	24
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - SELF-INSURANCE FUND.....	25
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS.....	26
NOTES TO FINANCIAL STATEMENTS.....	27

VISALIA UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2019
(Continued)

CONTENTS

REQUIRED SUPPLEMENTARY INFORMATION:

GENERAL FUND BUDGETARY COMPARISON SCHEDULE.....	58
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY	59
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY.....	60
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS.....	62
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION.....	64

SUPPLEMENTARY INFORMATION:

COMBINING BALANCE SHEET - ALL NON-MAJOR FUNDS.....	65
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - ALL NON-MAJOR FUNDS.....	66
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS.....	67
ORGANIZATION.....	69
SCHEDULE OF AVERAGE DAILY ATTENDANCE.....	70
SCHEDULE OF INSTRUCTIONAL TIME.....	72
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS.....	73
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS.....	75
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS - UNAUDITED.....	76
SCHEDULE OF CHARTER SCHOOLS.....	77
NOTES TO SUPPLEMENTARY INFORMATION.....	78
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS.....	80

VISALIA UNIFIED SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2019

CONTENTS

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 <i>GOVERNMENT AUDITING STANDARDS</i>	83
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE.....	85
FINDINGS AND RECOMMENDATIONS:	
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS.....	87
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS.....	91

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, 2019, 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.

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 the Visalia Unified School District, as of June 30, 2019, 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.

(Continued)

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 to 16, the General Fund Budgetary Comparison Schedule, the Schedule of Changes In the District's Net Other Postemployment Benefits (OPEB) Liability, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 58 to 63 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 Visalia Unified School District's basic financial statements. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2019 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 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.

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and somewhat stylized.

Crowe LLP

Sacramento, California
December 12, 2019

**VISALIA UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

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, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

District-Wide Statements

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

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

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

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

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

Fund Financial Statements

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental (basic services), proprietary (business-type activities), and fiduciary (assets held for others).

They focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements which reports on the District as a whole.

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

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

The District has three kinds of funds:

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

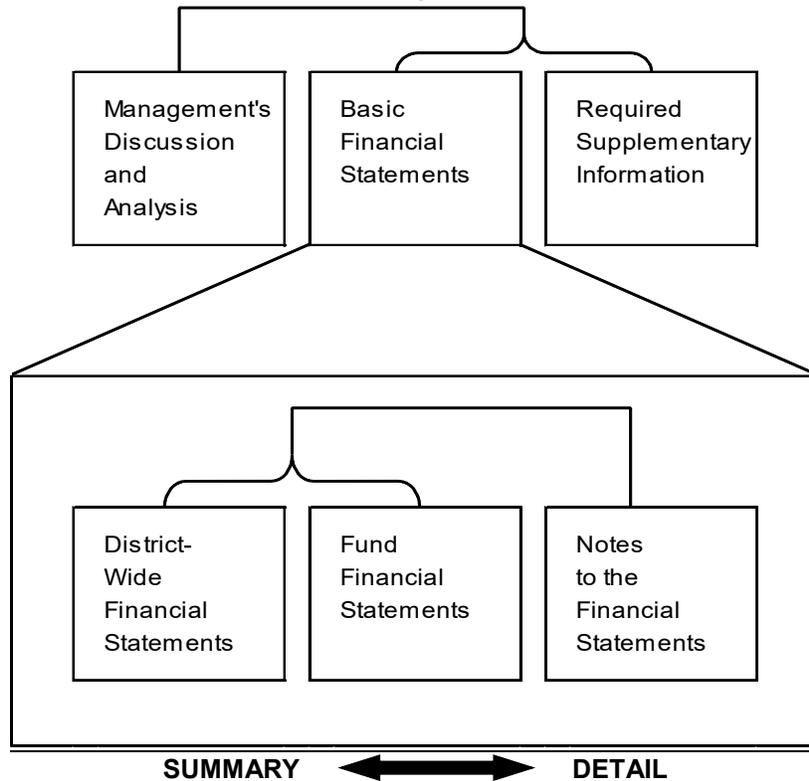
Our District does not utilize enterprise funds (one type of proprietary fund) at this time, which are the same as business-type activities. We do, however, use internal service funds (the other kind of proprietary fund) to report activities that provide supplies and services for the District's other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

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

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

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

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



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

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

- The 2018-19 fiscal year began with the full implementation to the target levels of the Local Control Funding Formula (LCFF). Fully funding the LCFF means the State has met its target to fund schools for cuts endured during the Great Recession. This target was met two years ahead of schedule and has restored schools to their pre-recession purchasing power or to 2007-2008 levels with inflation. Going forward, increased funding in the LCFF is based on the Cost of Living Adjustment or COLA, an inflationary measure to meet the ongoing increases in normal costs. Unfortunately, costs for pensions, minimum wage, special education and attracting and retaining employees are rising faster than the inflationary increases provided by COLA and fiscal challenges still remain.
- The State budget and economy continues the trend of steady growth and the District continues to restore programs and implement changes to improve achievement for all students. The following factors play a significant role in the economic recovery:
 - Stable State and Local Unemployment Rates of 3.9% State, 8.0% Tulare County and 5.0% for Visalia, compared to 4.0% State, 8.3% Tulare County and 4.8% Visalia in the previous fiscal year.
 - Capital gains and personal income tax continue to fuel growth in the California economy and State revenue.
 - UCLA Anderson forecasts improves their outlook on the economy citing improved financial conditions, and a better housing and employment outlook. Growth is expected to be 1.7%

for 2020, upgraded from 1% and 1.9% for 2021. The California economy will be slightly improved in 2020 with employment growth of 0.9% in 2020 and 1.3% in 2021. Personal income growth is forecast to be 1.9% in 2020 and 0.9% in 2021.

- Housing continues to grow with permits up 24% and housing valuation up 28% 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 12% at the close of the 2018-19 fiscal year or \$47.0 million.
- The Districts overall financial condition improved with additional revenues from the LCFF funding formula. State revenues from the LCFF are up \$99.3 million from FY 2013-14, with \$45.3 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 \$18.6 million in new pension costs since 2013-14, projected to grow to \$26.2 million in new costs by 2020-21.
- Construction projects were completed at Goshen Elementary for modernization and began at Ivanhoe Elementary and Golden West High School for modernization and at Sequoia High School for a new campus and relocation.
- Construction was completed on Denton Elementary School and welcomed students in August 2019. Also, Creekside Community Day School opened in August 2019 at the former Elbow School campus.
- Overall, Governmental Fund revenues were \$413.0 million for the audit year, as compared to \$354.9 million in the prior year, up \$58.1 million or 16.4% due to additional state funding from LCFF (\$23.6 million) as well as Other State Revenues (\$22.3 million) due to on-behalf payments for STRS and PERS from the State, and State funding and reimbursement for Capital Projects (\$5.2 million).
- General Fund revenues for the current year exceeded basic expenditures by \$23.8 million; \$372.5 million in revenues compared to \$348.7 million in basic expenditures with salaries and benefits accounting for 80.72% of basic expenditures compared to 80.23% for the prior year.
- Housing growth in the City of Visalia has shown steady growth for the past 5 years; which correlates to the increase in the revenues from the Developer Fee Fund. The Developer Fee rate for 2018-19 was at the Level 1 rate at \$3.79 per square foot, up from the previous Level 1 rate of \$3.48 per square foot in 2017-18. Revenues are up for the year at \$5.3 million compared to \$4.4 million in 2017-18 due to the higher Level 1 rate and increased housing starts.
- In November 2018, voters approved the \$105 million Measure A General Obligation Bond for modernization and new construction projects. The measure passed with more than a 60% yes vote. The first series of bonds will be issued in the 2019-20 fiscal year for construction projects.

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 2019-2018	Total Percentage Change 2019-2018
	2019	2018		
Current and other assets	\$ 241.3	\$ 251.8	\$ (10.5)	-4.17%
Capital assets (less depreciation)	419.6	372.7	46.9	12.58%
Total Assets	660.9	624.5	36.4	5.83%
Current liabilities	28.9	27.3	1.6	5.86%
Long-term liabilities	543.3	520.3	23.0	4.42%
Total Liabilities	572.2	547.6	24.6	4.49%
Deferred Inflows/Outflows of Resources	(92.4)	(86.5)	(5.9)	6.82%
Net position				
Net investment in capital assets	311.4	301.9	9.5	3.15%
Restricted	48.2	37.1	11.1	29.92%
Unrestricted	(178.6)	(175.6)	(3.0)	1.71%
Total Net Position	\$ 181.0	\$ 163.4	\$ 17.6	10.77%

Net position. The District's combined net position was \$163.4 million for the fiscal year ended June 30, 2018, and \$181.0 million for the fiscal year ended June 30, 2019, an increase of \$17.6 million (Table A-1). This decrease in the District's financial position came from its governmental activities, and was due primarily to the increase in capital assets for Measure E Projects and due to accounting changes as it relates to Other Postemployment Benefits (OPEB).

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
	2019	2018	2019-2018	2019-2018
Revenues				
General revenues:				
Federal and State aid not restricted	\$ 251.8	\$ 230.0	\$ 21.8	9.48%
Charges for services	6.3	6.2	0.1	1.61%
Operating grants and contributions	92.6	68.1	24.5	35.98%
Tax revenues	49.6	45.3	4.3	9.49%
Other local sources	15.4	5.3	10.1	190.57%
Total Revenues	415.7	354.9	60.8	17.13%
Expenses				
Instruction-related	289.7	243.3	46.4	19.07%
Student support services	40.8	35.9	4.9	13.65%
Administration	13.2	16.8	(3.6)	-21.43%
Maintenance and operations	33.8	33.4	0.4	1.20%
Other	20.6	16.6	4.0	24.10%
Total Expenses	398.1	346.0	52.1	15.06%
Excess of Revenues over Expenses	17.6	8.9	8.7	97.75%
Change in Net Position	\$ 17.6	\$ 8.9	\$ 8.7	97.75%

Changes in net position. The District's total revenues increased from \$354.9 million at June 30, 2018, to \$415.7 million at June 30, 2019, an increase of 17.13 percent (Table A-2). As mentioned earlier, the increase in revenues was primarily due to the increase in revenues received from the State under the LCFF, Medi-Cal Administrative Activities (MAA) reimbursements, increased interest earnings, and transportation services.

The total cost of all programs and services increased 15.06 percent from \$346.0 million at June 30, 2018, to \$398.1 million at June 30, 2019. The majority of the District's expenses relate to instruction (72.78 percent). The purely administrative activities of the District accounted for just 3.31 percent of total costs.

Overall, total revenues surpassed expenses, increasing net position \$17.6 million, an increase of \$8.7 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			
	2019	2018	\$ Change	% Change
Instruction	\$ 175.2	\$ 159.4	\$ 15.8	9.91%
Instruction-related activities (supervision, library, and media)	43.5	38.8	4.7	12.11%
Other pupil services	17.1	14.8	2.3	15.54%
Food services	0.2	0.7	(0.5)	-71.43%
Pupil transportation	6.5	5.6	0.9	16.07%
General administration	10.8	14.5	(3.7)	-25.52%
Maintenance and operations (plant services)	32.0	27.5	(27.5)	-100.00%
Other	13.8	10.4	3.4	32.69%
Totals	\$ 299.1	\$ 271.7	\$ 27.4	10.08%

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the total net capital assets totaled \$372.7 million. At June 30, 2019, the total net capital assets totaled \$419.6 million. This amount represents a net increase (including additions, deductions, and depreciation) of \$46.9 million, or 12.58 percent, from last year. The increase is related to the new construction of an elementary school and high school.

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

(Amounts in millions)

	Governmental Activities		Total Dollar Change	Total Percentage Change
	2019	2018	2019-2018	2019-2018
Land	\$ 18.3	\$ 18.3	\$ -	0.00%
Construction in progress	64.8	50.8	14.0	27.56%
Buildings and improvements	325.6	292.7	32.9	11.24%
Equipment	10.9	10.9	-	0.00%
Totals	\$ 419.6	\$ 372.7	\$ 46.9	12.58%

Long-Term Obligations

At June 30, 2018, the District had \$520.3 million in long-term obligations outstanding versus \$543.2 million at June 30, 2019, an increase of \$22.9 million or 4.40 percent. Direct debt decreased by \$3.5 million in aggregate due to regular debt service payments. The Districts liabilities for retiree pensions and health insurance increased by \$26.4 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)

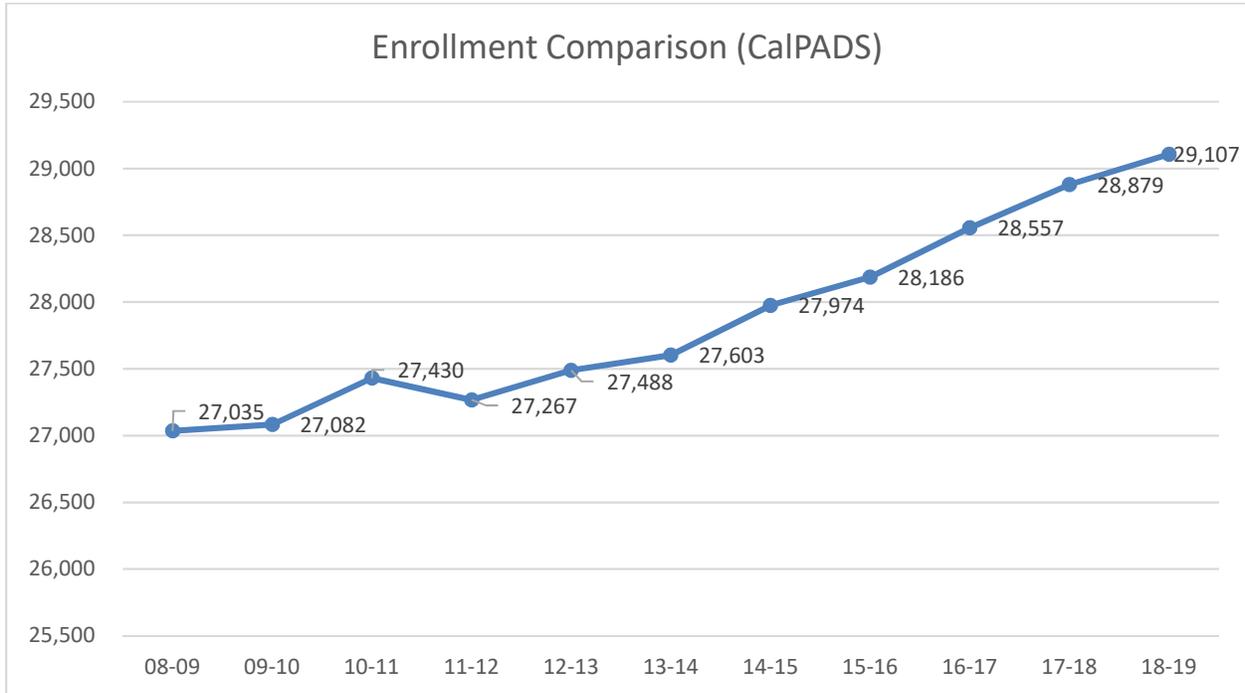
	Governmental Activities		Total Dollar Change	Total Percentage Change
	2019	2018	2019-2018	2019-2018
General obligation bonds	\$ 62.0	\$ 63.2	\$ (1.2)	-1.90%
Certificates of participation	74.9	76.5	(1.6)	-2.09%
Capitalized lease obligations	1.6	2.1	(0.5)	-23.81%
Loan payable	-	0.2	(0.2)	100.00%
Other postemployment benefits liability	91.0	88.4	2.6	2.94%
Net Pension Liability	312.9	289.1	23.8	8.23%
Compensated Absences	0.8	0.8	-	0.00%
Totals	\$ 543.2	\$ 520.3	\$ 22.9	4.40%

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 \$62.0 million is well below the statutorily-imposed limit of approximately \$314.9 million.

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

STUDENT ENROLLMENT

The District continues to experience growth in enrollment in elementary grades; however, with the increase in popularity in charter schools within the District boundary that trend has stabilized. The District recognized a slight enrollment increase of 228 students to 29,107 in 2018-19, from a total of 28,879 in 2017-18. Additionally, the District's CBEDS to P2 ADA ratio remains above the State average at 95.32%.



SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2018-2019 ARE NOTED BELOW:

The 2018-19 budget included COLA of 3.70% plus gap funding to bring the District to 100% of the LCFF funding target. Going forward, increased funding in the LCFF will be based on the Cost of Living Adjustment or COLA, an inflationary measure to meet the ongoing increases in normal costs. Unfortunately, costs for pensions, minimum wage, special education and attracting and retaining employees are rising faster than the inflationary increases provided by COLA.

The certificated and classified bargaining units reached an agreement with the District to provide a 3.70% salary increase for the 2018-19 year. Negotiations also included reductions in class sizes as well as reclassifications for several classified positions.

California State Teachers Retirement System (STRS) and California Public Employees Retirement System (PERS) rates paid by the district in 2018-19 increased over the prior year. The STRS rates were implemented by the state to offset shortfalls in the retirement program. The percentage of salary contributed to STRS by the district on-behalf of its teachers rose from 14.43% in 2017-18 to 16.280% in 2018-19. School district STRS contribution rates are expected to climb annually until 2020-21. PERS retirement rates for classified staff also grew slightly in 2018-19 going from 15.531% in 2017-18 to 18.062% in 2018-19. PERS rates are expected to increase to until 2020-21.

The District has taken actions to mitigate these cost increases, opening a pension trust account with one-time funding in 2016-17. During 2018-19, the balance in the pension trust account grew from \$6,535,200 in 2017-18 to \$7,014,487 at the end of 2018-19. In addition, VUSD maintained a reserve for economic uncertainties at 12% for FY 2018-19.

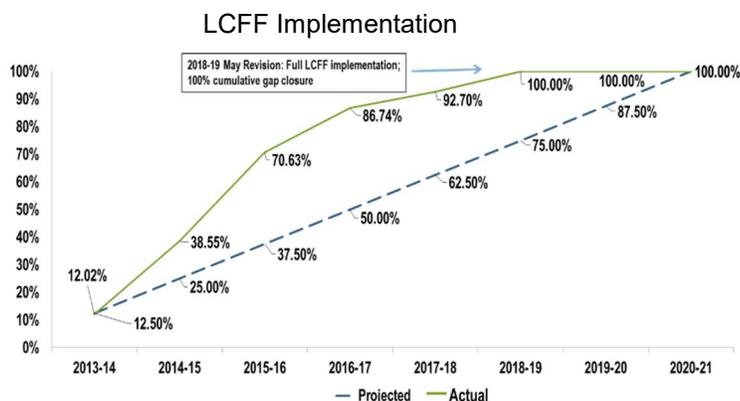
Highlights of 2018-19

- LCFF Funding at 100% with COLA only
- Began construction of Sequoia High School
- Completed construction of Denton Elementary School
- Began transition to new Business Information System – Tyler Munis
- Increased achievement in State level Assessments
- Participated in California Science Test (CAST)
- 1,300 students participating in Career Technical Education (CTE) Academies
- Goshen & Royal Oaks received classroom modernizations
- Began consideration for updated instructional materials for Science
- Preschool received an expansion to provide additional spots to preschool students and families
- HVAC projects completed at Mt. Whitney & Redwood High Schools
- Implemented our first Chromebook refresh of approximately 5000 devices
- 14 of the 70 participants in the Classified Employee Teacher Credential Scholarship Program are now classroom teachers
- The Health & Wellness Clinic served 3,139 employees and dependents through 6,380 appointments
- After School Programs served over 5,000 students
- 95% compliance rate for immunizations
- School Social Workers provided over 9,140 student and family interventions
- Saved approximately \$8,411,053 from September 2013 – June 2019 in energy savings
- Transportation transported 1,733,344 safely
- Health services performed 133,990 student office visits
- Finalized planning of Phase III of Prop 39 energy efficiency projects
- Began Ivanhoe Elementary modernization
- Served over 1,200,000 breakfasts, 3,200,000 lunches, and 28,000 after school snacks

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The 2019-20 State Budget is the first budget under the fully funded Local Control Funding Formula or LCFF. Fully funding the LCFF means the State has met its target to fund schools for cuts endured during the Great Recession. This target was met two years ahead of schedule and has restored schools to their pre-recession purchasing power or to 2007-2008 levels. Going forward, increased funding in the LCFF is based on the Cost of Living Adjustment or COLA, an inflationary measure to meet the ongoing increases in normal costs. Unfortunately, costs for pensions, minimum wage, special education and attracting and retaining employees are rising faster than the inflationary increases provided by COLA. The figure below shows implementation funding and gap funding received since the LCFF was adopted and the flattening of revenue increases going forward.

California's economy continues its growth with additional income, sales, and corporation tax revenues. The passage of Proposition 30 in 2012 and the extension of the income tax portion of that measure in 2016 under Proposition 55, have generated much of the increases in revenues to expedite the implementation of the LCFF. However, the State is now in its longest economic recovery in modern history, and the Governor continues to caution spending increases in revenue to prepare for the coming downturn and deposit to reserves.



As a refresher, the LCFF created base, supplemental, and concentration grants in place of most previously existing K-12 funding streams, thus eliminating revenue limits and approximately three-quarters of state categorical (restricted) programs. This streamlined funding results in more flexibility for school leaders, with the assistance of parents and other local stakeholders, to determine the local academic priorities and how the state funding will be used to improve student achievement so that they graduate from high school and are college and career ready.

Under the Governor's proposal, the LCFF will be increased based on the COLA of 3.26% for 2019-20. As mentioned above, cost increases associated with pensions, step and column and other areas are increasing by over 4%. Programs outside of the LCFF (Adult School, State Preschool and Child Nutrition) also receive increases in revenue based on the COLA

Highlights of the VUSD 2019-20 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.
- Continued planning of Measure E modernization projects and continued construction of Sequoia Continuation School, as well as funding for modernization and routine maintenance projects throughout the District.
- Maintenance of the District Reserve for Economic Uncertainty of 10.5%

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

1. Regular Average Daily Attendance (ADA) from 2018-19 P-2 K-12 with zero projected growth for 2019-20 is budgeted at 27,727.07.
2. Cost of Living Adjustment (COLA) increase of 3.26% on all State programs.

3. State Lottery is projected to be \$204.00 per ADA, of which \$53.00 is restricted to instructional materials, and \$151.00 is unrestricted.
4. One-time dollars are not budgeted until received.
5. 18-19 one-time Mandated Cost not budgeted in 19-20 which is a 61% reduction or \$9 million to state revenue.

Expenditures are based on the following assumptions:

1. Step increases for certificated, management, and classified are budgeted in full at \$3.4 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 \$15,774 per certificated employee, \$14,682 per management employee, and \$14,299 per classified employee. The District will pay \$13,925 per certificated employee, \$13,887 per management employee and \$14,299 per classified employee.
3. Routine Restricted Maintenance Account is funded at 3% of total General Fund expenditures.
4. Contributions to restricted programs to cover projected encroachment will be \$43 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 Robert Gröeber, Assistant Superintendent, Administrative Services, at Visalia Unified School District, 5000 West Cypress Avenue, Visalia, California 93277, or e-mail at rgroeber@vusd.org.

BASIC FINANCIAL STATEMENTS

VISALIA UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2019

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 216,163,926
Receivables	24,689,552
Stores inventory	365,347
Prepaid expenditures	92,000
Non-depreciable capital assets (Note 4)	83,100,236
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>336,501,375</u>
Total assets	<u>660,912,436</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions (Notes 8 and 9)	97,812,228
Deferred outflows of resources - OPEB (Note 10)	<u>6,479,165</u>
Total deferred outflows	<u>104,291,393</u>
LIABILITIES	
Accounts payable	15,631,316
Claims liability (Note 5)	6,718,129
Unearned revenue	6,631,143
Long-term liabilities:	
Due within one year (Note 6)	3,237,394
Due after one year (Note 6)	<u>540,038,015</u>
Total liabilities	<u>572,255,997</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 8 and 9)	11,662,000
Deferred inflows of resources - OPEB (Note 10)	<u>206,642</u>
Total deferred inflows	<u>11,868,642</u>
NET POSITION	
Net investment in capital assets	311,442,966
Restricted	
Legally restricted programs	31,310,641
Capital projects	9,806,364
Debt service	7,121,861
Unrestricted	<u>(178,602,642)</u>
Total net position	<u>\$ 181,079,190</u>

See accompanying notes to financial statements.

VISALIA UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

	Program Revenues				Net (Expense) Revenue and Change in Net Position
<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contri- butions</u>	<u>Capital Grants and Contri- butions</u>	<u>Governmental Activities</u>	
Governmental activities:					
Instruction	\$ 233,653,420	\$ 3,529,586	\$ 49,732,979	\$ 5,155,362	\$ (175,235,493)
Instruction-related services:					
Supervision of instruction	16,837,978	29,757	7,681,375	-	(9,126,846)
Instructional library, media and technology	3,384,463	-	261,783	-	(3,122,680)
School site administration	35,853,614	-	4,714,731	-	(31,138,883)
Pupil services:					
Home-to-school transportation	6,743,685	-	200,109	-	(6,543,576)
Food services	13,523,158	840,115	12,459,370	-	(223,673)
All other pupil services	20,518,049	46,821	3,354,503	-	(17,116,725)
General administration:					
Data processing	5,972,848	-	180,286	-	(5,792,562)
All other general administration	7,216,635	48,931	2,182,068	-	(4,985,636)
Plant services	33,815,898	743,181	1,064,709	-	(32,008,008)
Ancillary services	10,018,330	-	4,647,472	-	(5,370,858)
Enterprise activities	63,088	-	2,567	-	(60,521)
Other outgo	4,202,578	1,105,675	1,028,453	-	(2,068,450)
Interest on long-term liabilities	6,312,271	-	-	-	(6,312,271)
	<u>\$ 398,116,015</u>	<u>\$ 6,344,066</u>	<u>\$ 87,510,405</u>	<u>\$ 5,155,362</u>	<u>(299,106,182)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					44,252,901
Taxes levied for debt service					4,162,773
Taxes levied for other specific purposes					1,163,516
Federal and state aid not restricted to specific purposes					251,765,994
Interest and investment earnings					7,250,284
Interagency revenues					2,363,123
Miscellaneous					5,793,048
					<u>316,751,639</u>
					Change in net position
					17,645,457
					Net position, July 1, 2018
					<u>163,433,733</u>
					Net position, June 30, 2019
					<u>\$ 181,079,190</u>

See accompanying notes to financial statements.

VISALIA UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	<u>General Fund</u>	<u>Special Reserve for Capital Outlay Projects Fund</u>	<u>All Non-Major Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments:				
Cash in County Treasury	\$113,694,510	\$ 26,825,704	\$ 23,838,479	\$164,358,693
Cash on hand and in banks	13,794	-	182,300	196,094
Cash in revolving fund	44,028	-	-	44,028
Cash with Fiscal Agent	7,014,487	-	-	7,014,487
Receivables	20,680,838	-	4,004,525	24,685,363
Due from other funds	3,358,803	19,011,774	2,638	22,373,215
Prepaid expenditures	92,000	-	-	92,000
Stores inventory	<u>206,464</u>	<u>-</u>	<u>158,883</u>	<u>365,347</u>
Total assets	<u>\$145,104,924</u>	<u>\$ 45,837,478</u>	<u>\$ 28,186,825</u>	<u>\$219,129,227</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 9,122,080	\$ 4,030,726	\$ 657,849	\$ 13,810,655
Unearned revenue	6,569,526	-	61,617	6,631,143
Due to other funds	<u>19,014,222</u>	<u>190</u>	<u>1,358,641</u>	<u>20,373,053</u>
Total liabilities	<u>34,705,828</u>	<u>4,030,916</u>	<u>2,078,107</u>	<u>40,814,851</u>
Fund balances:				
Nonspendable	342,492	-	158,883	501,375
Restricted	22,130,148	41,806,562	25,949,835	89,886,545
Assigned	43,409,459	-	-	43,409,459
Unassigned	<u>44,516,997</u>	<u>-</u>	<u>-</u>	<u>44,516,997</u>
Total fund balances	<u>110,399,096</u>	<u>41,806,562</u>	<u>26,108,718</u>	<u>178,314,376</u>
Total liabilities and fund balances	<u>\$145,104,924</u>	<u>\$ 45,837,478</u>	<u>\$ 28,186,825</u>	<u>\$219,129,227</u>

See accompanying notes to financial statements.

VISALIA UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET -
TO THE STATEMENT OF NET POSITION
June 30, 2019

Total fund balances - Governmental Funds		\$ 178,314,376
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 \$606,986,809 and the accumulated depreciation is \$187,385,198 (Note 4).		
		419,601,611
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, 2019 consisted of (Note 6):		
General Obligation Bonds	\$ (53,919,971)	
Unamortized premiums	(4,543,170)	
Accreted Interest	(3,537,425)	
Certificates of Participation	(74,950,000)	
Capitalized lease obligations	(1,571,208)	
Net pension liability (Note 8 and 9)	(312,875,000)	
Other postemployment benefits (Note 10)	(91,005,465)	
Compensated absences	<u>(873,170)</u>	
		(543,275,409)
In the governmental funds, interest on long-term liabilities is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred.		
		(1,820,661)
In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported (Note 8 and 9).		
Deferred outflows of resources relating to pensions	\$ 97,812,228	
Deferred inflows of resources relating to pensions	<u>(11,662,000)</u>	
		86,150,228
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.		
		35,836,522
In government funds, deferred outflows and inflows of resources relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to OPEB are reported (Note 10).		
Deferred outflows of resources relating to OPEB	\$ 6,479,165	
Deferred inflows of resources relating to OPEB	<u>(206,642)</u>	
		<u>6,272,523</u>
Total net position - governmental activities		<u>\$ 181,079,190</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, 2019

	General Fund	Special Reserve for Capital Outlay Projects Fund	All Non-Major Funds	Total Governmental Funds
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 242,224,791	\$ -	\$ -	\$ 242,224,791
Local sources	<u>42,497,019</u>	<u>-</u>	<u>-</u>	<u>42,497,019</u>
Total LCFF	<u>284,721,810</u>	<u>-</u>	<u>-</u>	<u>284,721,810</u>
Federal sources	22,566,290	-	12,370,745	34,937,035
Other state sources	44,245,958	-	14,487,643	58,733,601
Other local sources	<u>20,949,419</u>	<u>2,168,079</u>	<u>11,521,534</u>	<u>34,639,032</u>
Total revenues	<u>372,483,477</u>	<u>2,168,079</u>	<u>38,379,922</u>	<u>413,031,478</u>
Expenditures:				
Current:				
Certificated salaries	135,364,818	-	2,650,713	138,015,531
Classified salaries	46,381,965	-	6,137,242	52,519,207
Employee benefits	99,724,176	-	4,986,280	104,710,456
Books and supplies	22,349,096	217,504	5,504,034	28,070,634
Contract services and operating expenditures	30,237,486	780,232	1,283,172	32,300,890
Other outgo	4,202,579	-	-	4,202,579
Capital outlay	8,763,146	51,397,225	1,095,693	61,256,064
Debt service:				
Principal retirement	513,602	-	3,445,000	3,958,602
Interest	<u>1,156,970</u>	<u>-</u>	<u>3,653,680</u>	<u>4,810,650</u>
Total expenditures	<u>348,693,838</u>	<u>52,394,961</u>	<u>28,755,814</u>	<u>429,844,613</u>
Excess (deficiency) of revenues over (under) expenditures	<u>23,789,639</u>	<u>(50,226,882)</u>	<u>9,624,108</u>	<u>(16,813,135)</u>
Other financing (uses) sources:				
Transfers in	2,847,847	19,011,774	1,263,412	23,123,033
Transfers out	<u>(20,274,996)</u>	<u>(190)</u>	<u>(847,847)</u>	<u>(21,123,033)</u>
Total other financing (uses) sources	<u>(17,427,149)</u>	<u>19,011,584</u>	<u>415,565</u>	<u>2,000,000</u>
Change in fund balances	6,362,490	(31,215,298)	10,039,673	(14,813,135)
Fund balances, July 1, 2018	<u>104,036,606</u>	<u>73,021,860</u>	<u>16,069,045</u>	<u>193,127,511</u>
Fund balances, June 30, 2019	<u>\$ 110,399,096</u>	<u>\$ 41,806,562</u>	<u>\$ 26,108,718</u>	<u>\$ 178,314,376</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, 2019

Net change in fund balances - Total Governmental Funds	\$ (14,813,135)
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).	64,167,435
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(17,275,165)
Planned capital projects which were initially capitalized as work-in-process but ultimately not completed, are expensed.	(9,540)
Repayment of principal on long-term liabilities is an expenditure in governmental funds, but decreases long-term liabilities in the statement of net position (Note 6).	3,958,602
In governmental funds, debt issued at a premium is recognized as an other financing source. In the government-wide statements debt issued at a premium is amortized with interest expense over the life of the debt (Note 6).	165,655
Accreted interest is an expense that is not recorded in the governmental funds (Note 6).	(685,148)
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.	(982,128)
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.	(2,687,130)
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.	(17,683,920)
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).	(45,262)
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>3,535,193</u>
Change in net position of governmental activities	<u>\$ 17,645,457</u>

See accompanying notes to financial statements.

VISALIA UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUND
SELF-INSURANCE FUND
June 30, 2019

ASSETS

Current assets:

Cash and investments:

Cash in County Treasury	\$ 17,662,267
Cash with Fiscal Agent	26,888,357
Receivables	<u>4,189</u>

Total current assets 44,554,813

LIABILITIES

Current liabilities:

Claims payable	6,718,129
Due to other funds	<u>2,000,162</u>

Total liabilities 8,718,291

NET POSITION

Unrestricted \$ 35,836,522

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, 2019

Operating revenues:	
Self-insurance premiums	\$ 45,253,640
Other state revenues	33,986
Other local revenues	<u>768,541</u>
Total operating revenues	<u>46,056,167</u>
Operating expenses:	
Certificated salaries	126,956
Classified salaries	240,067
Employee benefits	201,403
Books and supplies	9,056
Contract services	<u>40,190,377</u>
Total operating expenses	<u>40,767,859</u>
Operating income	5,288,308
Non-operating income:	
Interest income	<u>246,885</u>
Income before transfers	5,535,193
Transfers to other funds	<u>2,000,000</u>
Change in net position	3,535,193
Total net position, July 1, 2018	<u>32,301,329</u>
Total net position, June 30, 2019	<u><u>\$ 35,836,522</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, 2019

Cash flows from operating activities:	
Cash received from self-insurance premiums	\$ 46,051,978
Cash paid for employee claims benefits	(40,002,710)
Cash paid for salaries and related benefits	(568,426)
Cash paid for other expenses	<u>(11,871)</u>
Net cash provided by operating activities	<u>5,468,971</u>
Cash flows provided by investing activities:	
Interest income received	<u>246,885</u>
Increase in cash and investments	5,715,856
Cash and investments, July 1, 2018	<u>38,834,768</u>
Cash and investments, June 30, 2019	<u>\$ 44,550,624</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 5,288,308</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Increase in:	
Receivables	(4,189)
Increase in:	
Claims liability	184,690
Due to other funds for operating activities	<u>162</u>
Total adjustments	<u>180,663</u>
Net cash provided by operating activities	<u>\$ 5,468,971</u>

See accompanying notes to financial statements.

VISALIA UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2019

	<u>Agency Funds</u>
ASSETS	
Cash in County Treasury	\$ 22,926,446
Cash on hand and in banks (Note 2)	<u>1,193,354</u>
Total assets	<u>\$ 24,119,800</u>
LIABILITIES	
Due to others	22,327,759
Due to student groups	<u>1,792,041</u>
Total liabilities	<u>\$ 24,119,800</u>

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

A - Manifestation of Oversight

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

B - Accounting for Fiscal Matters

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C - Scope of Public Service and Financial Presentation

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

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

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

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

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

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

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

(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.

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

B - Other Funds

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

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

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

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

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

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

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

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

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Receivables: Receivables are made up principally of amounts due from the State of California. The District has determined that no allowance for doubtful accounts was necessary as of June 30, 2019.

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

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

Compensated Absences: Compensated absences totaling \$873,170 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 a operating expenditure or expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for certain STRP and PERF B employees, when the employee retires.

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

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

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

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	<u>\$ 67,743,106</u>	<u>\$ 30,069,122</u>	<u>\$ 97,812,228</u>
Deferred inflows of resources	<u>\$ 11,662,000</u>	<u>\$ -</u>	<u>\$ 11,662,000</u>
Net pension liability	<u>\$219,911,000</u>	<u>\$ 92,964,000</u>	<u>\$312,875,000</u>
Pension expense	<u>\$ 51,058,563</u>	<u>\$ 23,582,619</u>	<u>\$ 74,641,182</u>

Net Position: Net position is displayed in three components:

1. Net Investment in Capital Assets: Consist of capital assets, net of accumulated depreciation, reduced by outstanding related debt and adjusted for unspent debt proceeds and deferred outflows/inflows resulting from refunding debt instruments.
2. Restricted Net Position: Restrictions of the ending net position indicate the portions of net position not appropriable for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represents the portion of net position restricted to specific program expenditures. The restriction for debt service represents the portion of net position which the District plans to expend on debt repayment. The restriction for capital projects represents the portion of net position restricted for capital projects. It is the District's policy to first spend restricted net position when allowable expenditures are incurred.
3. Unrestricted Net Position: All other net position that do not meet the definitions of "restricted" or "net investments in capital assets".

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

A - Nonspendable Fund Balance:

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

B - Restricted Fund Balance:

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net position as reported in the government-wide, proprietary fund and fiduciary fund statements.

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance. At June 30, 2019 there were no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate personnel with the authority to assign fund balances. At June 30, 2019, the Board of Education has designated the Chief Financial Officer with the authority to assign fund balances.

E - Unassigned Fund Balance:

In the General Fund only, the unassigned fund balance classification reflects the residual balance that has not been assigned to other funds and that is not restricted, committed, or assigned to specific purposes.

In any fund other than the General Fund, a positive unassigned fund balance is never reported because amounts in any other fund are assumed to have been assigned, at least, to the purpose of that fund. However, deficits in any fund, including the General Fund that cannot be eliminated by reducing or eliminating amounts assigned to other purposes are reported as negative unassigned fund balance.

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2019, 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, 2019

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2019 consisted of the following:

	<u>Governmental Funds</u>	<u>Proprietary Fund</u>	<u>Fiduciary Activities</u>
Pooled Funds:			
Cash in County Treasury	\$164,358,693	\$ 17,662,267	\$ 22,926,446
Deposits:			
Cash on hand and in banks	196,094	-	1,193,354
Cash in revolving fund	44,028	-	-
Investments:			
Cash with Fiscal Agent	<u>7,014,487</u>	<u>26,888,357</u>	<u>-</u>
Total cash and investments	<u>\$171,613,302</u>	<u>\$ 44,550,624</u>	<u>\$ 24,119,800</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 prorata 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, 2019, 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, 2019, the carrying amount of the District's accounts was \$1,433,476 and the bank balance was \$1,127,624. The total uninsured bank balance at June 30, 2019 was \$287,947.

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, 2019, 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, 2019, the District had no concentration of credit risk.

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 3 - INTERFUND TRANSACTIONS

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

Interfund Receivables/Payables: Individual interfund receivable and payable balances at June 30, 2019 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 3,358,803	\$ 19,014,222
Special Reserve for Capital Outlay Projects	19,011,774	190
Non-Major Funds:		
Adult Education	63	292,801
Child Development	2,335	127,260
Cafeteria	50	938,580
Building	190	-
Internal Service Fund:		
Self-Insurance	<u>-</u>	<u>2,000,162</u>
Totals	<u>\$ 22,373,215</u>	<u>\$ 22,373,215</u>

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

Transfers for the 2018-2019 fiscal year were as follows:

Transfer from the General Fund to the Special Reserve for Capital Outlay Projects Fund to support construction costs.	\$ 19,011,774
Transfer from the Self-Insurance Fund to the General Fund for a contribution to offset the net OPEB liability.	2,000,000
Transfer from the General Fund to the Debt Service Fund for Certificate of Participation payment.	1,163,163
Transfer from the Cafeteria Fund to the General Fund for indirect costs support.	522,251
Transfer from the Adult Education Fund to the General Fund for indirect costs support.	224,093
Transfer from the Child Development Fund to the General Fund for indirect costs support.	101,503
Transfer from the General Fund to the Cafeteria Fund to provide for operational support.	100,059
Transfer from the Special Reserve for Capital Outlay Projects Fund to the Building Fund for the correction of an entry.	<u>190</u>
	<u>\$ 23,123,033</u>

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2019 is shown below:

	Balance July 1, <u>2018</u>	<u>Additions</u>	Transfers and <u>Deductions</u>	Balance June 30, <u>2019</u>
<u>Governmental Activities</u>				
Non-depreciable:				
Land	\$ 18,331,027	\$ -	\$ -	\$ 18,331,027
Work-in-process	50,799,252	50,789,298	(36,819,341)	64,769,209
Depreciable:				
Buildings and improvements	444,542,498	10,536,620	36,809,801	491,888,919
Furniture and equipment	<u>35,595,876</u>	<u>2,841,517</u>	<u>(6,439,739)</u>	<u>31,997,654</u>
Totals, at cost	<u>549,268,653</u>	<u>64,167,435</u>	<u>(6,449,279)</u>	<u>606,986,809</u>
Less accumulated depreciation:				
Buildings and improvements	(151,873,956)	(14,374,517)	-	(166,248,473)
Furniture and equipment	<u>(24,675,816)</u>	<u>(2,900,648)</u>	<u>6,439,739</u>	<u>(21,136,725)</u>
Total accumulated depreciation	<u>(176,549,772)</u>	<u>(17,275,165)</u>	<u>6,439,739</u>	<u>(187,385,198)</u>
Capital assets, net	<u>\$ 372,718,881</u>	<u>\$ 46,892,270</u>	<u>\$ (9,540)</u>	<u>\$ 419,601,611</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 11,324,797
Instruction supervision and administration	742,378
Instruction library, media, and technology	161,445
School site administration	1,759,643
Home-to-school transportation	315,587
Food services	4,534
All other pupil services	1,015,713
Ancillary services	219,757
All other general administration	442,870
Data processing	199,716
Plant services	<u>1,088,725</u>
Total depreciation expense	<u>\$ 17,275,165</u>

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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>2019</u>	June 30, <u>2018</u>
Unpaid claim and claim adjustment expenses, beginning of year	\$ 6,533,440	\$ 5,758,956
Total incurred claims and claim adjustment expenses	40,375,066	43,043,281
Total payments	<u>(40,190,377)</u>	<u>(42,268,797)</u>
Total unpaid claims and claim adjustment expenses at end of year	<u>\$ 6,718,129</u>	<u>\$ 6,533,440</u>

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 6 - LONG-TERM LIABILITIES

General Obligation Bonds

A summary of General Obligation Bonds payable as of June 30, 2019 follows:

<u>Series</u>	<u>Interest Rate</u>	<u>Original Maturity</u>	<u>Balance July 1, 2018</u>	<u>Current Year Issuance</u>	<u>Current Year Matured</u>	<u>Balance June 30, 2019</u>
Series 2013	4.00-5.35%	2044	\$ 30,864,971	\$ -	\$ 290,000	\$ 30,574,971
Series 2015	4.00-5.00%	2041	<u>24,695,000</u>	<u>-</u>	<u>1,350,000</u>	<u>23,345,000</u>
			<u>\$ 55,559,971</u>	<u>\$ -</u>	<u>\$ 1,640,000</u>	<u>\$ 53,919,971</u>

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

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

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 785,000	\$ 1,929,313	\$ 2,714,313
2021	1,595,000	1,896,938	3,491,938
2022	1,740,000	1,813,563	3,553,563
2023	1,890,000	1,724,938	3,614,938
2024	2,055,000	1,629,188	3,684,188
2025-2029	8,880,946	10,304,317	19,185,263
2030-2034	9,489,015	11,428,285	20,917,300
2035-2039	10,740,010	12,279,887	23,019,897
2040-2044	<u>16,745,000</u>	<u>2,075,500</u>	<u>18,820,500</u>
	<u>\$ 53,919,971</u>	<u>\$ 45,081,929</u>	<u>\$ 99,001,900</u>

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 6 - LONG-TERM LIABILITIES (Continued)

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

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

Scheduled payments for the 2015 COPs are as follows:

Year Ending <u>June 30,</u>	COPs <u>Payments</u>
2020	\$ 1,206,463
2021	1,252,063
2022	1,291,288
2023	1,338,413
2024	1,386,163
2025-2029	6,656,916
2030-2034	5,251,750
2035-2039	<u>4,082,500</u>
Total payments	22,465,556
Less amount representing interest	<u>(6,210,556)</u>
Net present value of minimum payments	<u><u>\$ 16,255,000</u></u>

Scheduled payments for the 2018 COPs are as follows:

Year Ending <u>June 30,</u>	COPs <u>Payments</u>
2020	\$ 3,346,300
2021	3,342,050
2022	3,345,050
2023	3,344,800
2024	3,343,700
2025-2029	16,713,500
2030-2034	16,722,350
2035-2039	16,721,850
2040-2044	16,715,238
2045-2048	<u>13,377,600</u>
Total payments	96,972,438
Less amount representing interest	<u>(38,277,438)</u>
Net present value of minimum payments	<u><u>\$ 58,695,000</u></u>

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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, 2019, the historical cost of capital assets acquired in connection with the leases totaled \$2,621,122 and the accumulated depreciation was \$467,097.

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

<u>Year Ending June 30,</u>	<u>Lease Payments</u>
2020	\$ 555,309
2021	401,628
2022	401,628
2023	<u>280,511</u>
Total payments	1,639,076
Less amount representing interest	<u>(67,868)</u>
Net present value of minimum lease payments	<u><u>\$ 1,571,208</u></u>

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2019 is shown below:

	<u>Balance, July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2019</u>	<u>Amounts Due Within One Year</u>
<u>Governmental activities:</u>					
<u>Debt:</u>					
General Obligation Bonds	\$ 55,559,971	\$ -	\$ 1,640,000	\$ 53,919,971	\$ 785,000
Unamortized premiums	4,708,825	-	165,655	4,543,170	167,908
Accreted interest	2,852,277	685,148	-	3,537,425	-
Certificates of Participation	76,545,000	-	1,595,000	74,950,000	1,760,000
Capitalized lease obligations	2,084,810	-	513,602	1,571,208	524,486
State school building loan	210,000	-	210,000	-	-
<u>Other Long-Term Liabilities:</u>					
Net pension liability (Note 8 & 9)	289,130,000	23,745,000	-	312,875,000	-
Total OPEB Liability (Note 10)	88,434,806	2,570,659	-	91,005,465	-
Compensated absences	<u>827,908</u>	<u>45,262</u>	<u>-</u>	<u>873,170</u>	<u>-</u>
	<u><u>\$ 520,353,597</u></u>	<u><u>\$ 27,046,069</u></u>	<u><u>\$ 4,124,257</u></u>	<u><u>\$ 543,275,409</u></u>	<u><u>\$ 3,237,394</u></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 Capital Facilities and Debt Service Funds. Payments on the capitalized lease obligations are made from the General Fund. Payments on the state school building loan are made from the Child Development Fund. Payments towards on the 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, 2019

NOTE 7 - FUND BALANCES

Fund balances, by category, at June 30, 2019 consisted of the following:

	<u>General Fund</u>	<u>Special Reserve for Capital Outlay Projects Fund</u>	<u>All Non-Major Funds</u>	<u>Total</u>
Nonspendable:				
Revolving cash fund	\$ 44,028	\$ -	\$ -	\$ 44,028
Prepaid expenditures	92,000	-	-	92,000
Stores inventory	<u>206,464</u>	<u>-</u>	<u>158,883</u>	<u>365,347</u>
Subtotal nonspendable	<u>342,492</u>	<u>-</u>	<u>158,883</u>	<u>501,375</u>
Restricted:				
Legally restricted programs	22,130,148	-	9,021,610	31,151,758
Capital projects	-	41,806,562	9,806,364	51,612,926
Debt service	<u>-</u>	<u>-</u>	<u>7,121,861</u>	<u>7,121,861</u>
Subtotal restricted	<u>22,130,148</u>	<u>41,806,562</u>	<u>25,949,835</u>	<u>89,886,545</u>
Assigned:				
Other postemployment benefits	21,011,107	-	-	21,011,107
Pension trust account	7,011,000	-	-	7,011,000
Local control and accountability carry-over	6,153,000	-	-	6,153,000
Capital projects	5,695,000	-	-	5,695,000
Local control and accountability reserves	2,590,970	-	-	2,590,970
Site level donations	497,782	-	-	497,782
Charter schools	<u>450,600</u>	<u>-</u>	<u>-</u>	<u>450,600</u>
Subtotal assigned	<u>43,409,459</u>	<u>-</u>	<u>-</u>	<u>43,409,459</u>
Unassigned:				
Designated for economic uncertainty	44,444,195	-	-	44,444,195
Undesignated	<u>72,802</u>	<u>-</u>	<u>-</u>	<u>72,802</u>
Subtotal unassigned	<u>44,516,997</u>	<u>-</u>	<u>-</u>	<u>44,516,997</u>
Total fund balances	<u>\$110,399,096</u>	<u>\$ 41,806,562</u>	<u>\$ 26,108,718</u>	<u>\$178,314,376</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, known as the career factor. The maximum benefit with the career factor is 2.4 percent of final compensation.

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

(Continued)

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

CalSTRS 2% at 62

CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

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

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

The employer contribution rates set in statute by the CalSTRS Funding Plan were not changed by the passage of SB 90. A summary of statutory contribution rates and other sources of contributions to the Defined Benefit Program are as follows:

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2018-19. 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 2018-19.

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

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

Employers – 16.28 percent of applicable member earnings.

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

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

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

The CalSTRS employer contribution rate increases effective for fiscal year 2018-19 through fiscal year 2045-46 are summarized in the table below:

<u>Effective Date</u>	<u>Prior Rate</u>	<u>Increase</u>	<u>Total</u>
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2021 to June 30, 2046	8.25%	*	*
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

* The Teachers' Retirement Board (the "board") cannot adjust the employer rate by more than 1 percent in a fiscal year, and the increase to the contribution rate above the 8.25 percent base contribution rate cannot exceed 12 percent for a maximum of 20.25 percent.

The District contributed \$21,978,106 to the plan for the fiscal year ended June 30, 2019.

State - 9.828 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

Also as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046. The CalSTRS state contribution rates effective for fiscal year 2018-19 and beyond are summarized in the table below:

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding⁽¹⁾</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2018	2.017%	5.311%(2)	2.50%	9.828%
July 01, 2019	2.017%	5.311%(2)	2.50%	10.828%(3)
July 01, 2020				
June 30, 2046	2.017%	(4)	2.50%	(4)
July 01, 2046 and thereafter	2.017%	(5)	2.50%	4.517%(5)

(1) This rate does not include the \$72 million reduction in accordance with Education Code Section 22954.

(2) In May 2018, the board of CalSTRS exercised its limited authority to increase the state contribution rate by 0.5 percent of the payroll effective July 1, 2017.

(3) This rate does not include the \$2.2 billion supplemental state contribution on behalf of employers pursuant to SB 90.

(4) The CalSTRS board has limited authority to adjust state contribution rates annually through June 30, 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0 percent.

(5) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining 1990 unfunded actuarial obligation.

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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, 2019, 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	\$ 219,911,000
State's proportionate share of the net pension liability associated with the District	<u>125,910,000</u>
Total	<u><u>\$ 345,821,000</u></u>

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. 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, 2018, the District's proportion was 0.239 percent, which was an increase of 0.010 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$51,058,563 and revenue of \$22,789,075 for support provided by the State. At June 30, 2019, 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	\$ 682,000	\$ 3,194,000
Changes of assumptions	34,164,000	-
Net differences between projected and actual earnings on investments	-	8,468,000
Changes in proportion and differences between District contributions and proportionate share of contributions	10,919,000	-
Contributions made subsequent to measurement date	<u>21,978,106</u>	<u>-</u>
Total	<u><u>\$ 67,743,106</u></u>	<u><u>\$ 11,662,000</u></u>

\$21,978,106 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

Years Ended <u>June 30,</u>	
2020	\$ 10,120,967
2021	\$ 6,948,967
2022	\$ 1,178,467
2023	\$ 6,394,133
2024	\$ 8,283,133
2025	\$ 1,177,333

Differences between expected and actual experience 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, 2018 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, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

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

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

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

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	6.30%
Fixed Income	12	0.30
Real Estate	13	5.20
Private Equity	13	9.30
Absolute Return/Risk Mitigating Strategies	9	2.90
Inflation Sensitive	4	3.80
Cash / Liquidity	2	(1.00)

* 20-year geometric average

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

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

	1% Decrease <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>\$322,144,000</u>	<u>\$219,911,000</u>	<u>\$135,150,000</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-2018.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, 2019 were as follows:

Members - The member contribution rate was 6.50 or 7.50 percent of applicable member earnings for fiscal year 2018-19.

Employers - The employer contribution rate was 18.062 percent of applicable member earnings.

The District contributed \$9,035,122 to the plan for the fiscal year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of \$92,964,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. 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, 2018, the District’s proportion was 0.349 percent, which was an increase of 0.023 percent from its proportion measured as of June 30, 2017.

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

For the year ended June 30, 2019, the District recognized pension expense of \$23,582,619 and revenue of \$3,154,960 for support provided by the State.. At June 30, 2019, 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	\$ 6,094,000	\$ -
Changes of assumptions	9,282,000	-
Net differences between projected and actual earnings on investments	763,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	4,895,000	-
Contributions made subsequent to measurement date	<u>9,035,122</u>	<u>-</u>
Total	<u>\$ 30,069,122</u>	<u>\$ -</u>

\$9,035,122 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>	
2020	\$ 11,797,750
2021	\$ 8,817,750
2022	\$ 967,250
2023	\$ (548,750)

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, 2018 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, 2019

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, 2017, and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2017
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 20 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, 2017 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 1 - 10 (1)</u>	<u>Expected Real Rate of Return Years 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	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, 2019

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

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected cash flows of the Plan. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan’s asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

	1% Decrease <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>\$ 135,351,000</u>	<u>\$ 92,964,000</u>	<u>\$ 57,798,000</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. As of June 30, 2019 the District has accumulated assets in a qualified trust provided by Public Agency Retirement Services (PARS) for the purpose of paying the benefits related to the District's net OPEB liability. Assets contributed to the plan are included in the PARS trust financial statements. Copies of PARS independent financial statements may be obtained from the Public Agency Retirement Services – 4350 Von Karman Avenue, Newport Beach, CA 92660.

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

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

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

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

Contributions: California Government Code specifies that the District's contribution requirements for covered employees are established and may be amended by the Governing Board. District and retiree contributions to the cost of healthcare vary depending on employee group in which the retiree worked and percentage of full-time employment of the individual. Contributions to the Plan from the District were \$6,537,924 for the year ended June 30, 2019. Employees are not required to contribute to the OPEB plan.

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

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	351
Active employees	<u>2,423</u>
	<u><u>2,774</u></u>

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2018 based on an actuarial valuation as of June 30, 2017.

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, 2017
<u>Actuarial Method</u>	Entry Age actuarial cost method, level percentage of payroll.
<u>Discount Rate</u>	5.00%.

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2019

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%. This was computed as PARS' expected long-term mean rate of return of 6.25% with an adjustment for conservatism.
<u>Mortality Rates</u>	Mortality rates are taken from the 2014 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 2019 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 (2014) 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	\$10,300
45	\$12,904
50	\$15,982
55	\$19,060
60	\$23,322
64	\$23,322

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 6.25% has been adjusted to 5.00% for conservatism.

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Total Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at July 1, 2018	\$ <u>90,720,532</u>	\$ <u>2,285,726</u>	\$ <u>88,434,806</u>
Changes for the year:			
Service cost	4,968,971	-	4,968,971
Interest	4,372,579	-	4,372,579
Employer contributions	-	6,537,924	(6,537,924)
Net investment income	-	232,967	(232,967)
Benefits paid to retirees	<u>6,537,924</u>	<u>(6,537,924)</u>	<u>-</u>
Net change	<u>15,879,474</u>	<u>232,967</u>	<u>2,570,659</u>
Balance at June 30, 2019	<u>\$ 106,600,006</u>	<u>\$ 2,518,693</u>	<u>\$ 91,005,465</u>

There were no changes between the measurement date and the year ended June 30, 2019 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, 2019: 2.4%

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 (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Net OPEB liability	<u>\$ 99,171,810</u>	<u>\$ 91,005,465</u>	<u>\$ 83,673,034</u>

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 (4.00%)	Healthcare Cost Trend Rates Rate (5.00%)	1% Increase (6.00%)
Net OPEB liability	<u>\$ 81,384,911</u>	<u>\$ 91,005,465</u>	<u>\$ 102,310,239</u>

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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, 2019, the District recognized OPEB expense of \$9,166,295. At June 30, 2019, 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>
Net differences between projected and actual earnings on investments	\$ -	\$ 206,642
Benefits paid subsequent to measurement date	<u>6,479,165</u>	<u>-</u>
Total	<u>\$ 6,479,165</u>	<u>\$ 206,642</u>

\$6,479,165 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ended <u>June 30,</u>	
2020	\$ (60,969)
2021	\$ (60,969)
2022	\$ (60,967)
2023	\$ (23,737)

Deferred inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

NOTE 11 - JOINT POWERS AUTHORITIES

The District is a member of the Schools Association For Excess Risk (SAFER), Self-Insured Schools of California III (SISC III), Tulare County Schools Insurance Group (TCSIG), the Tulare County School's Self-Insurance Authority (TCSSIA), the Protected Insurance Program for Schools (PIPS), and Nor-Cal Relief (NCR) public entity risk 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, 2019 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.

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 11 - JOINT POWERS AUTHORITIES (Continued)

Condensed audited financial information for the District's JPAs at June 30, 2019 for SAFER, PIPS and NCR, June 30, 2018 (most recent information available) for TCSIG and TCSSIA, and September 30, 2018 (most recent information available) for SISC III are as follows:

	<u>SAFER</u>	<u>SISC III</u>	<u>TCSIG</u>	<u>TCSSIA</u>	<u>PIPS</u>	<u>NCR</u>
Total assets	\$ 43,494,593	\$ 642,346,557	\$ 3,848,341	\$ 1,792,323	\$ 133,474,239	\$ 90,903,300
Total liabilities	\$ 52,232,601	\$ 197,341,183	\$ 2,744,169	\$ 708,855	\$ 99,564,236	\$ 73,773,663
Net position	\$ (8,738,008)	\$ 445,005,374	\$ 1,104,172	\$ 1,083,468	\$ 33,910,003	\$ 17,129,637
Total revenues	\$ 67,893,879	\$ 2,314,300,371	\$ 22,909,629	\$ 3,154,760	\$ 315,820,121	\$ 62,352,151
Total expenses	\$ 77,777,714	\$ 2,236,274,883	\$ 23,009,274	\$ 3,128,071	\$ 306,044,422	\$ 57,522,201
Change in net position	\$ (9,883,835)	\$ 78,025,488	\$ (99,645)	\$ 26,689	\$ 9,775,699	\$ 4,829,950

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, 2019, the District has approximately \$37.1 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, 2019

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 242,549,927	\$ 242,414,666	\$ 242,224,791	\$ (189,875)
Local sources	<u>37,333,199</u>	<u>42,497,019</u>	<u>42,497,019</u>	<u>-</u>
Total LCFF	<u>279,883,126</u>	<u>284,911,685</u>	<u>284,721,810</u>	<u>(189,875)</u>
Federal sources	19,865,212	28,151,122	22,566,290	(5,584,832)
Other state sources	25,250,763	29,655,644	44,245,958	14,590,314
Other local sources	<u>10,626,048</u>	<u>18,513,127</u>	<u>20,949,419</u>	<u>2,436,292</u>
Total revenues	<u>335,625,149</u>	<u>361,231,578</u>	<u>372,483,477</u>	<u>11,251,899</u>
Expenditures:				
Current:				
Certificated salaries	134,801,374	136,580,137	135,364,818	1,215,319
Classified salaries	46,075,149	47,465,250	46,381,965	1,083,285
Employee benefits	86,386,619	85,140,123	99,724,176	(14,584,053)
Books and supplies	28,150,259	38,696,580	22,349,096	16,347,484
Contract services and operating expenditures	20,955,876	33,229,097	30,237,486	2,991,611
Other outgo	2,990,517	3,262,731	4,202,579	(939,848)
Capital outlay	2,937,360	22,396,465	8,763,146	13,633,319
Debt service:				
Principal retirement	513,603	513,602	513,602	-
Interest	<u>41,708</u>	<u>1,156,970</u>	<u>1,156,970</u>	<u>-</u>
Total expenditures	<u>322,852,465</u>	<u>368,440,955</u>	<u>348,693,838</u>	<u>19,747,117</u>
Excess (deficiency) of revenues over (under) expenditures	<u>12,772,684</u>	<u>(7,209,377)</u>	<u>23,789,639</u>	<u>30,999,016</u>
Other financing (uses) sources:				
Transfers in	887,885	850,008	2,847,847	1,997,839
Transfers out	<u>(3,435,463)</u>	<u>(7,288,628)</u>	<u>(20,274,996)</u>	<u>(12,986,368)</u>
Total other financing (uses) sources	<u>(2,547,578)</u>	<u>(6,438,620)</u>	<u>(17,427,149)</u>	<u>(10,988,529)</u>
Change in fund balance	10,225,106	(13,647,997)	6,362,490	20,010,487
Fund balance, July 1, 2018	<u>104,036,606</u>	<u>104,036,606</u>	<u>104,036,606</u>	<u>-</u>
Fund balance, June 30, 2019	<u>\$ 114,261,712</u>	<u>\$ 90,388,609</u>	<u>\$ 110,399,096</u>	<u>\$ 20,010,487</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, 2019

	Last 10 Fiscal Years	
	<u>2018</u>	<u>2019</u>
Total OPEB liability		
Service cost	\$ 4,824,244	\$ 4,968,971
Interest	4,279,826	4,372,579
Benefit payments	<u>(7,960,101)</u>	<u>(6,537,924)</u>
Net change in total OPEB liability	1,143,969	2,803,626
Total OPEB liability, beginning of year	<u>89,576,563</u>	<u>90,720,532</u>
Total OPEB liability, end of year (a)	<u>\$ 90,720,532</u>	<u>\$ 93,524,158</u>
Plan fiduciary net position		
Contributions - employer	\$ 7,960,101	\$ 6,537,924
Net investment income	286,142	232,967
Benefit payments	<u>(7,960,101)</u>	<u>(6,537,924)</u>
Net change in plan fiduciary net position	286,142	232,967
Plan fiduciary net position, beginning of year	<u>1,999,584</u>	<u>2,285,726</u>
Plan fiduciary net position, end of year (a)	<u>\$ 2,285,726</u>	<u>\$ 2,518,693</u>
Net OPEB liability, end of year	<u>\$ 88,434,806</u>	<u>\$ 91,005,465</u>
Covered employee payroll	\$ 169,247,768	\$ 180,359,723
Plan fiduciary net position as a percentage of covered-employee payroll	1.35%	1.40%
Net OPEB liability as a percentage of covered-employee payroll	52.25%	50.46%

(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.

VISALIA UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 For the Year Ended June 30, 2019

State Teachers' Retirement Plan
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
District's proportion of the net pension liability	0.220%	0.225%	0.230%	0.229%	0.239%
District's proportionate share of the net pension liability	\$128,708,000	\$151,391,000	\$185,666,000	\$211,382,000	\$219,911,000
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>
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>
District's covered payroll	\$ 98,100,000	\$104,372,000	\$114,403,000	\$121,141,000	\$127,370,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131.20%	145.05%	162.29%	174.49%	172.66%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%	70.99%

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, 2019

	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>
District's proportion of the net pension liability	0.285%	0.298%	0.312%	0.326%	0.349%
District's proportionate share of the net pension liability	\$ 32,390,000	\$ 43,931,000	\$ 61,677,000	\$ 77,748,000	\$ 92,964,000
District's covered payroll	\$ 29,950,000	\$ 32,996,000	\$ 37,465,000	\$ 41,524,000	\$ 45,988,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.15%	133.14%	164.63%	187.24%	202.15%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%	70.85%

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.

See accompanying note to required supplementary information,

VISALIA UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
 For the Year Ended June 30, 2019

State Teachers' Retirement Plan
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 9,268,239	\$ 12,275,486	\$ 15,239,531	\$ 18,379,491	\$ 21,978,106
Contributions in relation to the contractually required contribution	<u>(9,268,239)</u>	<u>(12,275,486)</u>	<u>(15,239,531)</u>	<u>(18,379,491)</u>	<u>(21,978,106)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$104,372,000	\$114,403,000	\$121,141,000	\$127,370,000	\$135,001,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%	16.28%

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, 2019

Public Employer's Retirement Fund B
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	2019
Contractually required contribution	\$ 3,883,945	\$ 4,438,484	\$ 5,767,704	\$ 7,141,936	\$ 9,035,122
Contributions in relation to the contractually required contribution	<u>(3,883,945)</u>	<u>(4,438,484)</u>	<u>(5,767,704)</u>	<u>(7,141,936)</u>	<u>(9,035,122)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
District's covered payroll	\$ 32,996,000	\$ 37,465,000	\$ 41,524,000	\$ 45,988,000	50,023,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%	18.06%

All years prior to 2015 are not available.

See accompanying note to required supplementary information,

VISALIA UNIFIED SCHOOL DISTRICT
 NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
 For the Year Ended June 30, 2019

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

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

<u>Assumption</u>	<u>Measurement Period</u>			
	As of June 30, <u>2018</u>	As of June 30, <u>2017</u>	As of June 30, <u>2016</u>	As of June 30, <u>2015</u>
Consumer price inflation	2.75%	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.10%	7.60%	7.60%
Wage growth	3.50%	3.50%	3.75%	3.75%

SUPPLEMENTARY INFORMATION

VISALIA UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 ALL NON-MAJOR FUNDS
 June 30, 2019

	Adult Education Fund	Child Develop- ment Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Debt Service Fund	Total
ASSETS									
Cash in County Treasury	\$ 5,903,586	\$ 377,204	\$ 1,306,929	\$ 46	\$ 3,724,643	\$ 5,404,210	\$ 7,121,861	\$ -	\$ 23,838,479
Cash on hand and in banks	160,960	-	21,340	-	-	-	-	-	182,300
Receivables	675,802	598,834	1,940,844	-	789,045	-	-	-	4,004,525
Store inventory	-	-	158,883	-	-	-	-	-	158,883
Due from other funds	<u>63</u>	<u>2,335</u>	<u>50</u>	<u>190</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,638</u>
Total assets	<u>\$ 6,740,411</u>	<u>\$ 978,373</u>	<u>\$ 3,428,046</u>	<u>\$ 236</u>	<u>\$ 4,513,688</u>	<u>\$ 5,404,210</u>	<u>\$ 7,121,861</u>	<u>\$ -</u>	<u>\$ 28,186,825</u>
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 154,945	\$ 274,574	\$ 116,560	\$ -	\$ 111,770	\$ -	\$ -	\$ -	\$ 657,849
Unearned revenue	-	61,617	-	-	-	-	-	-	61,617
Due to other funds	<u>292,801</u>	<u>127,260</u>	<u>938,580</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,358,641</u>
Total liabilities	<u>447,746</u>	<u>463,451</u>	<u>1,055,140</u>	<u>-</u>	<u>111,770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,078,107</u>
Fund balances:									
Nonspendable	-	-	158,883	-	-	-	-	-	158,883
Restricted	<u>6,292,665</u>	<u>514,922</u>	<u>2,214,023</u>	<u>236</u>	<u>4,401,918</u>	<u>5,404,210</u>	<u>7,121,861</u>	<u>-</u>	<u>25,949,835</u>
Total fund balances	<u>6,292,665</u>	<u>514,922</u>	<u>2,372,906</u>	<u>236</u>	<u>4,401,918</u>	<u>5,404,210</u>	<u>7,121,861</u>	<u>-</u>	<u>26,108,718</u>
Total liabilities and fund balances	<u>\$ 6,740,411</u>	<u>\$ 978,373</u>	<u>\$ 3,428,046</u>	<u>\$ 236</u>	<u>\$ 4,513,688</u>	<u>\$ 5,404,210</u>	<u>\$ 7,121,861</u>	<u>\$ -</u>	<u>\$ 28,186,825</u>

VISALIA UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
 ALL NON-MAJOR FUNDS
 For the Year Ended June 30, 2019

	Adult Education Fund	Child Develop- ment Fund	Cafeteria Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Debt Service Fund	Total
Revenues:									
Federal sources	\$ 379,099	\$ 239,534	\$ 11,752,112	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,370,745
Other state sources	5,775,831	2,428,653	1,127,797	-	-	5,155,362	-	-	14,487,643
Other local sources	<u>969,893</u>	<u>13,834</u>	<u>944,839</u>	<u>236</u>	<u>5,285,390</u>	<u>42,359</u>	<u>4,264,983</u>	<u>-</u>	<u>11,521,534</u>
Total revenues	<u>7,124,823</u>	<u>2,682,021</u>	<u>13,824,748</u>	<u>236</u>	<u>5,285,390</u>	<u>5,197,721</u>	<u>4,264,983</u>	<u>-</u>	<u>38,379,922</u>
Expenditures:									
Current:									
Certificated salaries	2,461,499	189,214	-	-	-	-	-	-	2,650,713
Classified salaries	656,420	1,181,318	4,299,504	-	-	-	-	-	6,137,242
Employee benefits	1,664,375	487,099	2,834,806	-	-	-	-	-	4,986,280
Books and supplies	218,345	140,419	5,141,072	-	4,198	-	-	-	5,504,034
Contract services and operating expenditures	631,313	205,107	177,333	190	269,229	-	-	-	1,283,172
Capital outlay	42,789	-	150,464	-	902,440	-	-	-	1,095,693
Debt service:									
Principal retirement	-	210,000	-	-	1,085,000	-	1,640,000	510,000	3,445,000
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,012,705</u>	<u>-</u>	<u>1,987,812</u>	<u>653,163</u>	<u>3,653,680</u>
Total expenditures	<u>5,674,741</u>	<u>2,413,157</u>	<u>12,603,179</u>	<u>190</u>	<u>3,273,572</u>	<u>-</u>	<u>3,627,812</u>	<u>1,163,163</u>	<u>28,755,814</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,450,082</u>	<u>268,864</u>	<u>1,221,569</u>	<u>46</u>	<u>2,011,818</u>	<u>5,197,721</u>	<u>637,171</u>	<u>(1,163,163)</u>	<u>9,624,108</u>
Other financing (uses) sources:									
Transfers in	-	-	100,059	190	-	-	-	1,163,163	1,263,412
Transfers out	<u>(224,093)</u>	<u>(101,503)</u>	<u>(522,251)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(847,847)</u>
Total other financing (uses) sources	<u>(224,093)</u>	<u>(101,503)</u>	<u>(422,192)</u>	<u>190</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,163,163</u>	<u>415,565</u>
Net change in fund balances	1,225,989	167,361	799,377	236	2,011,818	5,197,721	637,171	-	10,039,673
Fund balances, July 1, 2018	<u>5,066,676</u>	<u>347,561</u>	<u>1,573,529</u>	<u>-</u>	<u>2,390,100</u>	<u>206,489</u>	<u>6,484,690</u>	<u>-</u>	<u>16,069,045</u>
Fund balances, June 30, 2019	<u>\$ 6,292,665</u>	<u>\$ 514,922</u>	<u>\$ 2,372,906</u>	<u>\$ 236</u>	<u>\$ 4,401,918</u>	<u>\$ 5,404,210</u>	<u>\$ 7,121,861</u>	<u>\$ -</u>	<u>\$ 26,108,718</u>

VISALIA UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2019

	Balance July 1, <u>2018</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2019</u>
Student Body Funds				
<u>Elementary Schools</u>				
Assets:				
Cash in County Treasury	\$ 247,099	\$ 249,568	\$ 218,412	\$ 278,255
Cash on hand and in banks	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 247,099</u>	<u>\$ 249,568</u>	<u>\$ 218,412</u>	<u>\$ 278,255</u>
Liabilities:				
Due to student groups	<u>\$ 247,099</u>	<u>\$ 249,568</u>	<u>\$ 218,412</u>	<u>\$ 278,255</u>
<u>Middle Schools</u>				
Assets:				
Cash in County Treasury	\$ 265,588	\$ 690,556	\$ 659,552	\$ 296,592
Cash on hand and in banks	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 265,588</u>	<u>\$ 690,556</u>	<u>\$ 659,552</u>	<u>\$ 296,592</u>
Liabilities:				
Due to student groups	<u>\$ 265,588</u>	<u>\$ 690,556</u>	<u>\$ 659,552</u>	<u>\$ 296,592</u>
<u>High Schools</u>				
Assets:				
Cash in County Treasury	\$ 26,475	\$ 23,042	\$ 25,677	\$ 23,840
Cash on hand and in banks	<u>1,022,961</u>	<u>3,266,861</u>	<u>3,096,468</u>	<u>1,193,354</u>
Total assets	<u>\$ 1,049,436</u>	<u>\$ 3,289,903</u>	<u>\$ 3,122,145</u>	<u>\$ 1,217,194</u>
Liabilities:				
Due to student groups	<u>\$ 1,049,436</u>	<u>\$ 3,289,903</u>	<u>\$ 3,122,145</u>	<u>\$ 1,217,194</u>
<u>Total Student Body Funds</u>				
Assets:				
Cash in County Treasury	\$ 539,162	\$ 963,166	\$ 903,641	\$ 598,687
Cash on hand and in banks	<u>1,022,961</u>	<u>3,266,861</u>	<u>3,096,468</u>	<u>1,193,354</u>
Total assets	<u>\$ 1,562,123</u>	<u>\$ 4,230,027</u>	<u>\$ 4,000,109</u>	<u>\$ 1,792,041</u>
Liabilities:				
Due to student groups	<u>\$ 1,562,123</u>	<u>\$ 4,230,027</u>	<u>\$ 4,000,109</u>	<u>\$ 1,792,041</u>

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2019

	Balance July 1, <u>2018</u>	Additions	Deductions	Balance June 30, <u>2019</u>
Warrant/Pass-Through Fund				
Assets:				
Cash in County Treasury	\$ 14,262,244	\$ 622,053,105	\$ 613,987,590	\$ 22,327,759
Cash on hand and in banks	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 14,262,244</u>	<u>\$ 622,053,105</u>	<u>\$ 613,987,590</u>	<u>\$ 22,327,759</u>
Liabilities:				
Due to other funds	<u>\$ 14,262,244</u>	<u>\$ 622,053,105</u>	<u>\$ 613,987,590</u>	<u>\$ 22,327,759</u>
TOTAL AGENCY FUNDS				
Assets:				
Cash in County Treasury	\$ 14,801,406	\$ 623,016,271	\$ 614,891,231	\$ 22,926,446
Cash on hand and in banks	<u>1,022,961</u>	<u>3,266,861</u>	<u>3,096,468</u>	<u>1,193,354</u>
Total assets	<u>\$ 15,824,367</u>	<u>\$ 626,283,132</u>	<u>\$ 617,987,699</u>	<u>\$ 24,119,800</u>
Liabilities:				
Due to other funds	\$ 14,262,244	\$ 622,053,105	\$ 613,987,590	\$ 22,327,759
Due to student groups	<u>1,562,123</u>	<u>4,230,027</u>	<u>4,000,109</u>	<u>1,792,041</u>
Total liabilities	<u>\$ 15,824,367</u>	<u>\$ 626,283,132</u>	<u>\$ 617,987,699</u>	<u>\$ 24,119,800</u>

VISALIA UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2019

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, and 4 charter schools. There were no changes in District boundaries during the year.

The Board of Education at June 30, 2019 was comprised of the following members:

GOVERNING BOARD

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

ADMINISTRATION

Todd Oto, Ed. D.¹
Superintendent

Tamara Ravalín Ed. D.²
Assistant Superintendent, Human Resources Development

Robert Gröeber
Assistant Superintendent, Administrative Services

Vacant
Assistant Superintendent, Instructional Services

Nathan Hernandez
Chief Financial Officer

¹ Effective July 1, 2019 Tamara Ravalín Ed. D., replaced Todd Oto as the Interim Superintendent.

² Effective July 1, 2019 Dedi Somavia replaced Ms. Ravalin as the Interim Assistant Superintendent, Human Resources Development.

VISALIA UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 For the Year Ended June 30, 2019

	Second Period Report (Original)	Second Period Report (Audited)*	Annual Report
DISTRICT			
Certificate Number	<u>2678C043</u>	<u>A7F740A6</u>	<u>E6701E4A</u>
Elementary:			
Transitional Kindergarten through Third	8,362	8,362	8,380
Fourth through Sixth	6,183	6,183	6,184
Seventh and Eighth	4,235	4,246	4,232
Special Education	<u>6</u>	<u>6</u>	<u>6</u>
Total Elementary	<u>18,786</u>	<u>18,797</u>	<u>18,802</u>
Secondary:			
Ninth through Twelfth	7,437	7,447	7,365
Continuation	<u>241</u>	<u>241</u>	<u>236</u>
Total Secondary	<u>7,678</u>	<u>7,688</u>	<u>7,601</u>
District Totals	<u><u>26,464</u></u>	<u><u>26,485</u></u>	<u><u>26,403</u></u>

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

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 For the Year Ended June 30, 2019

	<u>Second Period Report</u>	<u>Annual Report</u>
CHARTER SCHOOL - CLASSROOM BASED		
<u>Visalia Technical Early College</u>		
Certificate Number	<u>28F765AA</u>	<u>D5E03355</u>
Ninth through Twelfth	<u>248</u>	<u>245</u>
<u>Global Learning Charter School</u>		
Certificate Number	<u>C59313DC</u>	<u>A29C1AF1</u>
Transitional Kindergarten through Third	205	206
Fourth through Sixth	161	159
Seventh and Eighth	<u>32</u>	<u>32</u>
Subtotal Visalia Global Learning Charter School	<u>398</u>	<u>397</u>
Total Charter School Classroom Based	<u><u>646</u></u>	<u><u>642</u></u>
CHARTER SCHOOL - NON-CLASSROOM BASED		
<u>Charter Home School Academy</u>		
Certificate Number	<u>6FEBF3EB</u>	<u>56B8A66E</u>
Transitional Kindergarten through Third	23	22
Fourth through Sixth	28	30
Seventh and Eighth	<u>53</u>	<u>56</u>
Subtotal Charter Home School	<u>104</u>	<u>108</u>
<u>Visalia Charter Independent Study</u>		
Certificate Number	<u>15C2EB34</u>	<u>D03A6F78</u>
Ninth through Twelfth	<u>513</u>	<u>515</u>
Subtotal Visalia Charter Independent Study	<u>513</u>	<u>515</u>
Total Charter School Non-Classroom Based	<u><u>617</u></u>	<u><u>623</u></u>
Charter School Totals	<u><u>1,263</u></u>	<u><u>1,265</u></u>

See accompanying notes to supplementary information.

VISALIA UNIFIED SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 For the Year Ended June 30, 2019

<u>Grade Level</u>	<u>Statutory Minutes Require- ment</u>	<u>2018-19 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
DISTRICT				
Kindergarten	36,000	50,500	180	In Compliance
Grade 1	50,400	51,375	180	In Compliance
Grade 2	50,400	51,375	180	In Compliance
Grade 3	50,400	51,375	180	In Compliance
Grade 4	54,000	57,612	180	In Compliance
Grade 5	54,000	57,612	180	In Compliance
Grade 6	54,000	57,612	180	In Compliance
Grade 7	54,000	58,652	180	In Compliance
Grade 8	54,000	58,652	180	In Compliance
Grade 9	64,800	65,365	180	In Compliance
Grade 10	64,800	65,365	180	In Compliance
Grade 11	64,800	65,365	180	In Compliance
Grade 12	64,800	65,365	180	In Compliance
CHARTER SCHOOLS				
<u>Visalia Technical Early College</u>				
Grade 9	64,800	65,190	180	In Compliance
Grade 10	64,800	65,190	180	In Compliance
Grade 11	64,800	65,190	180	In Compliance
Grade 12	64,800	65,190	180	In Compliance
<u>Visalia Global Learning Charter School</u>				
Kindergarten	36,000	52,220	180	In Compliance
Grade 1	50,400	52,220	180	In Compliance
Grade 2	50,400	52,220	180	In Compliance
Grade 3	50,400	52,220	180	In Compliance
Grade 4	54,000	59,370	180	In Compliance
Grade 5	54,000	59,370	180	In Compliance
Grade 6	54,000	59,370	180	In Compliance
Grade 7	54,000	59,370	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, 2019

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expend- itures
<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	\$ 4,899,396
84.027	Special Ed: IDEA Private School Local Assistance	10115	3,119
84.173A	Special Ed: IDEA Preschool Local Entitlement, Part B, Sec 611 (Age 3-5)	13839	<u>213,321</u>
	Subtotal Special Education Cluster		<u>5,115,836</u>
	Adult Education Programs:		
84.002	Adult Education: Adult Secondary Education	13978	198,000
84.002A	Adult Education: Adult Basic Education & ESL	14508	130,958
84.002	Adult Education: Institutionalized Adults	13971	7,348
84.002A	Adult Education: English Literacy & Civics Education Local Grant	14109	<u>18,221</u>
	Subtotal Adult Education Programs		<u>354,527</u>
	Carl D. Perkins Programs:		
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	283,537
84.048	Carl D. Perkins Career and Technical Education: Adult, Section 132 (Vocational Education)	14893	<u>24,572</u>
	Subtotal Carl Perkins Programs		<u>308,109</u>
	Title I Programs:		
84.011	ESEA: Title I, Part C, Migrant Education	14326	166,033
84.011	ESEA: Title I, Part C, Migrant Education Summer Program	10005	<u>102,592</u>
	Subtotal Title I Programs		<u>268,625</u>

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2019

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expend- itures
<u>U.S. Department of Education - Passed through California Department of Education (Continued)</u>			
	Title III Programs:		
84.365	ESEA: Title III, English Learner Student Program	14346	\$ 431,532
84.365	ESEA: Title III, Immigrant Student Program	15146	<u>10,480</u>
	Subtotal Title III Programs		<u>442,012</u>
84.010	ESEA: Title I, Part A, Basic Grants Low-Income and Neglected	14329	11,987,316
84.367	ESEA: Title II, Part A Supporting Effective Instruction Local Grants	14341	2,002,539
84.287	ESEA: Title IV, Part B, 21st Century Community Learning Centers Program	14349	1,405,000
84.060	Indian Education	10011	168,825
84.126A	Rehabilitation Services: Vocational Rehabilitation Grants	*	106,134
84.424	ESEA: Title IV, Part A, Student Support and Academic Enrichment Grants	15396	<u>521,306</u>
	Total U.S. Department of Education		<u>22,680,229</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
	Medicaid Cluster:		
93.778	Medi-Cal Billing Option	10013	640,204
	Child Care Development Fund (CCDF) Program Cluster:		
93.575	CCDF Federal Child-Care, Center-Based	15136	<u>239,534</u>
	Total U.S. Department of Health and Human Services		<u>879,738</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
	Child Nutrition Cluster:		
10.555	National School Lunch Program (NSLP)	13390	9,469,420
10.553	Basic Breakfast	13396	70,801
10.553	Especially Needy Breakfast	13526	<u>2,211,891</u>
	Subtotal Child Nutrition Cluster		<u>11,752,112</u>
	Total U.S. Department of Agriculture		<u>11,752,112</u>
	Total Federal Programs		<u>\$ 35,312,079</u>

* No pass-through identifying number was available for this program.

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, 2019

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, 2019
(UNAUDITED)

<u>General Fund</u>	(Budget) <u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenues and other financing sources	\$ 344,497,659	\$ 375,331,324	\$ 328,485,205	\$ 310,518,909
Expenditures	333,859,413	348,693,838	313,798,585	291,034,959
Other uses and transfers out	<u>3,004,676</u>	<u>20,274,996</u>	<u>7,193,800</u>	<u>4,228,300</u>
Total outgo	<u>336,864,089</u>	<u>368,968,834</u>	<u>320,992,385</u>	<u>295,263,259</u>
Change in fund balance	<u>\$ 7,633,570</u>	<u>\$ 6,362,490</u>	<u>\$ 7,492,820</u>	<u>\$ 15,255,650</u>
Ending fund balance	<u>\$ 987,032,666</u>	<u>\$ 979,399,096</u>	<u>\$ 973,036,606</u>	<u>\$ 965,543,786</u>
Available reserves	<u>\$ 35,721,400</u>	<u>\$ 44,516,997</u>	<u>\$ 46,445,968</u>	<u>\$ 45,053,777</u>
Designated for economic uncertainties	<u>\$ 35,438,247</u>	<u>\$ 44,444,195</u>	<u>\$ 46,213,917</u>	<u>\$ 44,440,410</u>
Undesignated fund balance	<u>\$ 283,153</u>	<u>\$ 72,802</u>	<u>\$ 232,051</u>	<u>\$ 613,367</u>
Available reserves as percentages of total outgo	<u>10.6%</u>	<u>12.1%</u>	<u>14.5%</u>	<u>15.3%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 540,038,015</u>	<u>\$ 543,275,409</u>	<u>\$ 520,353,597</u>	<u>\$ 344,539,495</u>
Average daily attendance at P-2, excluding Charter Schools	<u>26,464</u>	<u>26,485</u>	<u>26,291</u>	<u>26,575</u>

The General Fund fund balance has increased by \$29,110,960 over the past three years. The fiscal year 2019-2020 budget projects an increase of \$7,633,570. 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, 2019, 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 2019-2020.

Total long-term liabilities have increased by \$198,735,914 over the past two years, due primarily to the issuance of General Obligation Bonds and Certificates of Participation, as well as changes in the District's Net Pension Liability.

Average daily attendance has decreased by 90 over the past two years. The District anticipates a decrease of 21 ADA for the 2019-2020 fiscal year.

See accompanying notes to supplementary information.

VISALIA UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2019

Charter Schools Chartered by District

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, or
Separate Report

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, 2019

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. 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.

C - Schedule of Expenditure of Federal Awards

The Schedule of Expenditure of Federal Awards includes the federal award activity of Visalia Unified School District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed in the Uniform Guidance.

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

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 34,937,035
Add: Medi-Cal Billing Option spent from prior year awards	93.778	<u>375,044</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 35,312,079</u>

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

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

(Continued)

VISALIA UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
June 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES (Continued)

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2019-2020 fiscal year, as required by the State Controller's Office.

F - Schedule of Charter Schools

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

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 required certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2019, 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 *2018-19 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, 2019.

<u>Description</u>	<u>Procedures Performed</u>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General requirements	Yes
After school	Yes
Before school	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	No, see below
Attendance, for charter schools	Yes
Mode of Instruction, for charter schools	Yes
Nonclassroom-Based Instruction/Independent Study, for charter schools	Yes
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	Yes
Annual Instructional Minutes - Classroom-Based, for charter schools	Yes
Charter School Facility Grant Program	No, see below

(Continued)

We did not perform procedures related to Independent Study because the District did not generate any ADA for this program.

We did not perform any procedures related to the Early Retirement Incentive Program because the District did not offer an Early Retirement Incentive Program during the audit year.

We did not perform any procedures related to Juvenile Court Schools because the District did not operate this program.

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

We did not perform any procedures related to Apprenticeship: Related and Supplemental Instruction, because the District did not generate any apprenticeship hours for this program.

We did not perform any procedures related to District of Choice, because the District was not classified as a District of Choice during the audit year.

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

We did not perform procedures related to Independent Study-Course Based because the District did not generate any ADA for this program.

We did not perform any procedures related to Charter School Facility Grant Program because the District did not operate this program.

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 *2018-19 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 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, 2019.

(Continued)

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 *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and somewhat stylized.

Crowe LLP

Sacramento, California
December 12, 2019

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, 2019, and the related notes to the financial statements, which collectively comprise Visalia Unified School District's basic financial statements, and have issued our report thereon dated December 12, 2019.

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) to determine the 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 of 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 determination of financial statement amounts. 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 over financial reporting 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

Sacramento, California
December 12, 2019

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

Board of Education
Visalia Unified School District
Visalia, California

Report on Compliance for Each Major Federal Program

We have audited Visalia Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Visalia Unified School District's major federal programs for the year ended June 30, 2019. 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, 2019.

(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

Sacramento, California
December 12, 2019

FINDINGS AND RECOMMENDATIONS

VISALIA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes 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>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553,10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,059,362

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, 2019

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, 2019

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, 2019

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 RECOMMENDATIONS
Year Ended June 30, 2019

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
No matters were reported.		