



Financial Statements  
June 30, 2022

# Kings Canyon Unified School District

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## Independent Auditor's Report

To the Governing Board  
Kings Canyon Unified School District  
Reedley, California

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kings Canyon Unified School District as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 Kings Canyon Unified School District, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Adoption of New Accounting Standard***

As discussed in Notes 1 and 15 to the financial statements, the Kings Canyon Unified School District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2021, to restate beginning net position. Our opinions are not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Kings Canyon Unified School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Kings Canyon Unified School District's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Kings Canyon Unified School District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, combining non-major governmental fund financial statements, and 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

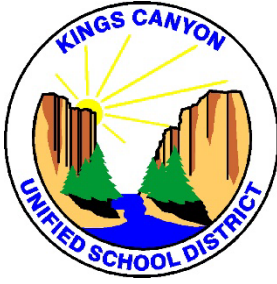
### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2023 on our consideration of Kings Canyon Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kings Canyon Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in

accordance with *Government Auditing Standards* in considering Kings Canyon Unified School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fresno, California  
February 1, 2023



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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of Kings Canyon Unified School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2022, with comparative information for the fiscal year ended June 30, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

### **The Financial Statements**

The financial statements presented herein include all of the activities of the District using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets), deferred outflows, as well as all liabilities (including long-term liabilities), and deferred inflows. Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for the governmental funds.

The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

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

The Primary unit of the government is the Kings Canyon Unified School District.



## 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, deferred outflows, liabilities, and deferred inflows 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 them. Net position is the difference between assets and deferred outflows of resources, and 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 will serve as a useful indicator of whether the financial position of the District 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 separate the District activities as follows:

**Governmental Activities** - The District reports all of its services in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going 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.

## 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** - All 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 the governmental fund financial statements.

## THE DISTRICT AS A WHOLE

### Net Position

The District's net position was \$88.1 million for the fiscal year ended June 30, 2022. Of this amount, \$30.0 million was restricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. The \$88.1 million in net position of governmental activities represents the accumulated results of all past years' operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2022	2021 as Restated
Assets		
Current and other assets	\$ 100,875,560	\$ 90,944,634
Capital assets	216,953,006	203,417,373
Total assets	317,828,566	294,362,007
Deferred outflows of resources	32,831,502	37,220,205
Liabilities		
Current liabilities	20,588,608	21,562,247
Long-term liabilities	185,886,312	252,297,967
Total liabilities	206,474,920	273,860,214
Deferred inflows of resources	56,080,702	3,556,238
Net Position		
Net investment in capital assets	140,482,942	124,739,455
Restricted	30,029,988	17,816,201
Unrestricted (deficit)	(82,408,484)	(88,389,896)
Total net position	\$ 88,104,446	\$ 54,165,760

### Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities*. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

		Governmental Activities	
		2022	2021*
Revenues			
Program revenues			
Charges for services and sales		\$ 1,512,384	\$ 872,706
Operating grants and contributions		46,197,803	53,373,384
Capital grants and contributions		3,801,170	16,200
General revenues			
Federal and State aid not restricted		112,131,254	101,544,694
Property taxes		18,809,977	17,874,574
Other general revenues		19,530,110	8,174,503
Total revenues		<u>201,982,698</u>	<u>181,856,061</u>
Expenses			
Instruction-related		103,680,012	114,841,690
Pupil services		26,403,537	23,912,375
Administration		7,195,472	7,136,633
Plant services		20,798,610	16,197,507
Other		9,966,381	6,617,306
Total expenses		<u>168,044,012</u>	<u>168,705,511</u>
Change in net position		<u>\$ 33,938,686</u>	<u>\$ 13,150,550</u>

\* The revenues and expenses for fiscal year 2021 were not restated to show the effects of GASB 87 for comparative purposes.

### Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was \$168.0 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$18.8 million because the cost was paid by those who benefited from the programs of \$1.5 million or by other governments and organizations who subsidized certain programs with grants and contributions totaling \$50.0 million. We paid for the remaining "public benefit" portion of our governmental activities with \$131.7 million in Federal and State unrestricted funds, and with other revenues, like interest and general entitlements. Kings Canyon remains steady in building our reserves, maintaining efficiencies and maximizing categorical flexibilities. Our core values are safety for students and employees, student achievement, jobs for employees and fiscal responsibility.

In Table 3, we have presented the net cost of each of the District's largest functions: instruction, pupil services, administration, plant services, and all other services. As discussed above, 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 3

	Total Cost of Services		Net Cost of Services	
	2022	2021*	2022	2021*
Instruction	\$ 103,680,012	\$ 114,841,690	\$ (74,166,597)	\$ (75,345,603)
Pupil services	26,403,537	23,912,375	(11,505,378)	(15,300,686)
Administration	7,195,472	7,136,633	(5,748,311)	(5,621,853)
Plant services	20,798,610	16,197,507	(17,667,794)	(14,354,788)
All other services	9,966,381	6,617,306	(7,444,575)	(3,820,291)
<b>Total</b>	<b>\$ 168,044,012</b>	<b>\$ 168,705,511</b>	<b>\$ (116,532,655)</b>	<b>\$ (114,443,221)</b>

\* The total and net cost of services for fiscal year 2021 were not restated to show the effects of GASB 87 for comparative purposes.

## THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$81.1 million, which is an increase of \$11.7 million from last year. The primary reasons for this overall increase are:

- The General Fund is our principal operating fund. The fund balance in the General Fund decreased from \$51.1 million to \$48.9 million due an increase capital projects funded through the COVID relief funds.
- The Special Reserve Fund for Capital Outlay Projects increased by \$6.7 million due to a Well Work Waterboard Grant and contributions from the General Fund.
- The non-major governmental funds increased by \$7.25 million, primarily due to:
  - Continued COVID relief funding
  - Increased meal reimbursement revenues due to the return to in-person instruction
  - Receipt of school facilities apportionment funding, and
  - A reduced need for using developer fees for capital projects due to COVID relief funding being utilized.

Table 4

Governmental Funds	Balances and Activity			
	July 1, 2021	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2022
General	\$ 51,143,188	\$ 173,910,355	\$ 176,095,629	\$ 48,957,914
Student Activities	521,296	823,851	819,042	526,105
Charter Schools	3,418,690	5,934,877	4,722,994	4,630,573
Adult Education	502,550	1,333,495	1,200,140	635,905
Child Development	209,836	1,714,017	1,720,519	203,334
Cafeteria	1,236,907	9,510,220	8,317,869	2,429,258
Capital Facilities	1,664,679	1,382,158	218,986	2,827,851
County School Facilities	281,120	3,651,265	252,105	3,680,280
Special Reserve Fund for Capital Outlay Projects	5,444,142	16,156,672	9,464,066	12,136,748
Bond Interest and Redemption	4,959,979	5,295,315	5,168,510	5,086,784
Total	<u>\$ 69,382,387</u>	<u>\$ 219,712,225</u>	<u>\$ 207,979,860</u>	<u>\$ 81,114,752</u>

#### General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted June 14, 2022. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.

The District budgeted an increase in General Fund balance of approximately \$0.1 million. While revenues and transfers in were approximately \$47.1 million less than budgeted, expenditures and transfers out were approximately \$44.8 million less than budgeted, leaving the fund with an actual decrease of approximately \$2.2 million.

#### CAPITAL ASSET AND DEBT ADMINISTRATION

##### Capital Assets

At June 30, 2022, the District had \$217.0 million in a broad range of capital assets (net of depreciation and amortization expenses), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of approximately \$13.5 million (Table 5).

Table 5

	Governmental Activities	
	2022	2021 as Restated
Land and construction in progress	\$ 17,024,658	\$ 8,935,217
Buildings and improvements	193,464,708	187,081,070
Equipment	6,100,300	6,730,033
Leased assets	363,340	671,053
Total	<u>\$ 216,953,006</u>	<u>\$ 203,417,373</u>

This year's major addition included the completion of the district wide HVAC and lighting project. We present more detailed information regarding our capital assets in the Notes to Financial Statements.

#### **Long-Term Liabilities**

At the end of this year, the District had \$185.9 million in debt versus \$252.3 million last year, a decrease of \$66.4 million. Those liabilities consisted of:

Table 6

	Governmental Activities	
	2022	2021 as Restated
Long-Term Liabilities		
General obligation bonds	\$ 86,425,686	\$ 88,079,763
Unamortized premiums	2,831,835	3,098,420
Leases	390,013	706,364
Compensated absences	547,799	690,115
Net OPEB liability	24,899,689	30,556,122
Aggregate net pension liability	70,791,290	129,167,183
Total	<u>\$ 185,886,312</u>	<u>\$ 252,297,967</u>

The District's S&P bond rating as of the most recent bond issuance was "AA". The State limits the amount of general obligation debt that districts can issue to five percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$86.4 million is below this statutorily-imposed limit.

At year-end, the District has a net pension liability of \$70.8 million versus \$129.2 million last year, a decrease of \$58.4 million, or 45.2%. The District also reported deferred outflows of resources from pension activities of \$26.5 million, and deferred inflows of resources from pension activities of \$49.7 million. We present more detailed information regarding our long-term liabilities in the Notes to Financial Statements.

**SIGNIFICANT ACCOMPLISHMENTS AND CHALLENGES OF FISCAL YEAR 2021-2022 ARE NOTED BELOW:**

- **Student Achievement and Support:** Following the previous two school years, the District was one of the first to implement a “Safe Return to In-Person and Continuity of Services Plan” to ensure safety for staff and students and a return to a more “normal” school environment. Through collaboration of all District departments, the District was able to successfully implement a uniform return to school plan with systematic protocols for staff and student safety. The District utilized a District-wide intervention in grades 3 - 8 for ELA and Math and began implementation of District-wide Social Emotional Learning for all grades. Evidence from these programs shows that the District has been successful in not only identifying gaps that emerged as a result of the pandemic but supporting the closing of those gaps for students.
- **School-Wide Average Daily Attendance:** 2021-2022 was stable.
- **Our Employees:** The District employees are caring professionals who are skilled, empowered and prepared to provide effective services.
- **Safety:** The District strives to provide a safe and nurturing learning environments to support students social, emotional, and academic success. As these indicators have improved, it is not coincidental that student achievement has continued to increase.
- **Fiscal Responsibility:** The District works hard to protect and preserve the fiscal health of the District and has a Board policy of a ten percent reserve. We strive to achieve long-term stability so that our energy can be focused on providing quality education to our students. We are very thankful for the State and Federal funding such as ESSER, In-Person Learning Grant, COVID Relief Fund and Expanded Learning Opportunities. With this one-time funding, we have purchased technology, expanded our supports, Social Emotional Learning, in person learning and facilities.
- **Facilities:** The District continues to maintain our investment in facilities, provide more learning opportunities, co-curricular and sporting facilities.





## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

In considering the District Budget for the 2022-2023 school year, the Governing Board and District Administration used the following criteria:

- You can find our LCAP on the District website. Meaningful engagement of parents, pupils, and other stakeholders, including those representing the subgroups identified in *Education Code* Section 52052, continues to be critical during the LCAP planning.
- Conservative budgeting
- Maintain a minimum of ten percent reserve
- Enrollment and ADA – Stable and not declining

## **HOW TO CONTACT THE DISTRICT'S FINANCIAL MANAGEMENT STAFF**

This financial report is designed to provide our citizens, taxpayers, students, 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 Adele Nikkel, Chief Financial Officer, at (559) 305-7024 or John Campbell, Superintendent, at (559) 305-7004.

Kings Canyon Unified School District

Statement of Net Position

June 30, 2022

	<u>Governmental Activities</u>
Assets	
Deposits and investments	\$ 84,078,109
Receivables	16,580,850
Stores inventories	216,601
Capital assets not depreciated	17,024,658
Capital assets, net of accumulated depreciation	199,565,008
Right-to-use leased assets, net of accumulated amortization	<u>363,340</u>
Total assets	<u>317,828,566</u>
Deferred Outflows of Resources	
Deferred charge on refunding	1,934,975
Deferred outflows of resources related to OPEB	4,359,445
Deferred outflows of resources related to pensions	<u>26,537,082</u>
Total deferred outflows of resources	<u>32,831,502</u>
Liabilities	
Accounts payable	16,753,179
Interest payable	827,800
Unearned revenue	3,007,629
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	3,649,512
Long-term liabilities other than OPEB and pensions due in more than one year	86,545,821
Net other postemployment benefits liability (OPEB)	24,899,689
Aggregate net pension liabilities	<u>70,791,290</u>
Total liabilities	<u>206,474,920</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	6,425,616
Deferred inflows of resources related to pensions	<u>49,655,086</u>
Total deferred inflows of resources	<u>56,080,702</u>
Net Position	
Net investment in capital assets	140,482,942
Restricted for	
Debt service	4,258,984
Capital projects	6,508,131
Educational programs	16,457,530
Child nutrition	2,279,238
Student activities	526,105
Unrestricted (deficit)	<u>(82,408,484)</u>
Total net position	<u>\$ 88,104,446</u>

Kings Canyon Unified School District

Statement of Activities  
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction	\$ 84,720,735	\$ 698,166	\$ 21,273,453	\$ 3,801,170	\$ (58,947,946)
Instruction-related activities					
Supervision of instruction	4,798,777	44,711	928,257	-	(3,825,809)
Instructional library, media, and technology	1,686,683	262	165,013	-	(1,521,408)
School site administration	12,473,817	59,662	2,542,721	-	(9,871,434)
Pupil services					
Home-to-school transportation	5,789,933	877	47,258	-	(5,741,798)
Food services	7,828,774	303,002	8,933,070	-	1,407,298
All other pupil services	12,784,830	82,029	5,531,923	-	(7,170,878)
Administration					
Data processing	1,421,513	-	258	-	(1,421,255)
All other administration	5,773,959	13,640	1,433,263	-	(4,327,056)
Plant services	20,798,610	272,277	2,858,539	-	(17,667,794)
Ancillary services	3,291,092	33,134	983,760	-	(2,274,198)
Community services	271,241	-	1,082	-	(270,159)
Interest on long-term liabilities	4,435,435	-	-	-	(4,435,435)
Other outgo	1,968,613	4,624	1,499,206	-	(464,783)
Total governmental activities	<u>\$168,044,012</u>	<u>\$ 1,512,384</u>	<u>\$ 46,197,803</u>	<u>\$ 3,801,170</u>	<u>(116,532,655)</u>
General Revenues and Subventions					
Property taxes, levied for general purposes					13,093,271
Property taxes, levied for debt service					5,458,453
Taxes levied for other specific purposes					258,253
Federal and State aid not restricted to specific purposes					112,131,254
Interest and investment earnings					(2,689,843)
Miscellaneous and unspent entitlement revenues					22,219,953
Subtotal, general revenues and subventions					<u>150,471,341</u>
Change in Net Position					33,938,686
Net Position - Beginning, as Restated					<u>54,165,760</u>
Net Position - Ending					<u>\$ 88,104,446</u>

# Kings Canyon Unified School District

## Balance Sheet – Governmental Funds

June 30, 2022

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Deposits and investments	\$ 51,074,168	\$ 14,012,839	\$ 18,991,102	\$ 84,078,109
Receivables	14,129,108	3,778	2,447,964	16,580,850
Due from other funds	348,212	-	13,973	362,185
Stores inventories	66,581	-	150,020	216,601
<b>Total assets</b>	<b>\$ 65,618,069</b>	<b>\$ 14,016,617</b>	<b>\$ 21,603,059</b>	<b>\$ 101,237,745</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 13,657,835	\$ 1,879,869	\$ 1,215,475	\$ 16,753,179
Due to other funds	505	-	361,680	362,185
Unearned revenue	3,001,815	-	5,814	3,007,629
<b>Total liabilities</b>	<b>16,660,155</b>	<b>1,879,869</b>	<b>1,582,969</b>	<b>20,122,993</b>
<b>Fund Balances</b>				
Nonspendable	216,581	-	150,020	366,601
Restricted	15,120,988	-	15,736,800	30,857,788
Committed	20,217,328	-	158,675	20,376,003
Assigned	8,119,867	12,136,748	3,974,595	24,231,210
Unassigned	5,283,150	-	-	5,283,150
<b>Total fund balances</b>	<b>48,957,914</b>	<b>12,136,748</b>	<b>20,020,090</b>	<b>81,114,752</b>
<b>Total liabilities and fund balances</b>	<b>\$ 65,618,069</b>	<b>\$ 14,016,617</b>	<b>\$ 21,603,059</b>	<b>\$ 101,237,745</b>

Kings Canyon Unified School District  
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2022

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Total Fund Balance - Governmental Funds \$ 81,114,752

Amounts Reported for Governmental Activities in the  
Statement of Net Position are Different Because

Capital assets used in governmental activities are not financial  
resources and, therefore, are not reported as assets in  
governmental funds.

The cost of capital assets is	\$ 322,978,236
Accumulated depreciation is	<u>(106,388,570)</u>

Net capital assets	216,589,666
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Right-to-use leased assets used in governmental activities are  
not financial resources and, therefore, are not reported as assets in  
governmental funds.

The cost of right-to-use leased assets is	1,499,040
Accumulated amortization is	<u>(1,135,700)</u>

Net right-to-use leased assets	363,340
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In governmental funds, unmatured interest on long-term  
liabilities is recognized in the period when it is due. On the  
government-wide financial statements, unmatured interest on  
long-term liabilities is recognized when it is incurred.

(827,800)

Deferred outflows of resources represent a consumption of net  
position in a future period and is not reported in the governmental  
funds. Deferred outflows of resources amounted to and related to

Debt refundings (deferred charge on refunding)	1,934,975
Other postemployment benefits (OPEB)	4,359,445
Net pension liability	<u>26,537,082</u>

Total deferred outflows of resources to pensions	32,831,502
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Deferred inflows of resources represent an acquisition of net position  
that applies to a future period and is not reported in the governmental  
funds. Deferred inflows of resources amount to and related to

Other postemployment benefits (OPEB)	(6,425,616)
Net pension liability	<u>(49,655,086)</u>

Total deferred inflows of resources to pensions	(56,080,702)
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Net pension liability is not due and payable in the current period,  
and is not reported as a liability in the funds.

(70,791,290)

The District's OPEB liability is not due and payable in the current period,  
and is not reported as a liability in the funds.

(24,899,689)

Kings Canyon Unified School District  
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2022

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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of

General obligation bonds including unamortized premiums	(78,015,026)
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Leases	(390,013)
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Compensated absences (vacations)	(547,799)
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In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is

<u>(11,242,495)</u>
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Total long-term liabilities	<u>(90,195,333)</u>
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Total net position - governmental activities	<u><u>\$ 88,104,446</u></u>
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Kings Canyon Unified School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2022

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local control funding formula	\$ 117,071,121	\$ -	\$ 5,286,420	\$ 122,357,541
Federal sources	22,369,865	-	9,088,543	31,458,408
Other State sources	28,139,904	-	7,799,038	35,938,942
Other local sources	6,329,465	3,396,672	7,471,197	17,197,334
Total revenues	173,910,355	3,396,672	29,645,198	206,952,225
Expenditures				
Current				
Instruction	81,712,407	-	5,001,227	86,713,634
Instruction-related activities				
Supervision of instruction	5,333,703	-	49,446	5,383,149
Instructional library, media, and technology	1,757,878	-	15,382	1,773,260
School site administration	12,935,695	-	796,425	13,732,120
Pupil services				
Home-to-school transportation	4,558,432	-	441	4,558,873
Food services	8,644	-	7,671,355	7,679,999
All other pupil services	14,004,778	-	154,012	14,158,790
Administration				
Data processing	1,383,114	-	-	1,383,114
All other administration	5,628,150	-	356,097	5,984,247
Plant services	18,457,568	331,376	598,726	19,387,670
Ancillary services	2,490,154	-	877,453	3,367,607
Community services	289,315	-	-	289,315
Other outgo	1,968,613	-	-	1,968,613
Facility acquisition and construction	14,067,178	9,132,690	471,091	23,670,959
Debt service				
Principal	-	-	3,050,000	3,050,000
Interest and other	-	-	2,118,510	2,118,510
Total expenditures	164,595,629	9,464,066	21,160,165	195,219,860
Excess (Deficiency) of Revenues Over Expenditures	9,314,726	(6,067,394)	8,485,033	11,732,365
Other Financing Sources (Uses)				
Transfers in	-	12,760,000	-	12,760,000
Transfers out	(11,500,000)	-	(1,260,000)	(12,760,000)
Net Financing Sources (Uses)	(11,500,000)	12,760,000	(1,260,000)	-
Net Change in Fund Balances	(2,185,274)	6,692,606	7,225,033	11,732,365
Fund Balance - Beginning	51,143,188	5,444,142	12,795,057	69,382,387
Fund Balance - Ending	\$ 48,957,914	\$ 12,136,748	\$ 20,020,090	\$ 81,114,752

Kings Canyon Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental  
Funds to the Statement of Activities  
Year Ended June 30, 2022

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Total Net Change in Fund Balances - Governmental Funds \$ 11,732,365

Amounts Reported for Governmental Activities in the Statement of  
Activities are different because

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation and amortization expenses in the Statement of Activities.

This is the amount by which capital outlays exceed depreciation and amortization expenses in the period.

Depreciation and amortization expenses	\$ (10,135,326)
Capital outlays	<u>23,670,959</u>

Net expense adjustment	13,535,633
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The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was	(1,395,923)
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In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used.	142,316
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In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.	8,445,254
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In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows and OPEB liability during the year.	(1,232,893)
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Governmental funds report the effect of premiums, discounts, and the deferred charge on refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.

Premium amortization	266,585
Deferred charge on refunding amortization	(93,202)



Kings Canyon Unified School District  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental  
Funds to the Statement of Activities  
Year Ended June 30, 2022

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Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

General obligation bonds	3,050,000
Leases	316,351

Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due.

(827,800)

Change in net position of governmental activities

\$ 33,938,686

**Note 1 - Summary of Significant Accounting Policies****Financial Reporting Entity**

The Kings Canyon Unified School District was organized on July 1, 1972, under the laws of the State of California. The District operates under a locally elected seven-member Board form of government and provides educational services to grades K - 12 as mandated by the State and/or Federal agencies. The District operates twelve elementary schools, three middle schools, two high schools, one continuation school, two charter schools, one independent study school, and an adult education school.

A reporting entity is comprised of the primary government and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Kings Canyon Unified School District, this includes general operations, food service, charter schools, and student related activities of the District.

**Other Organizations**

The District has approved charters for Kings Canyon Online Charter School and Reedley Middle College High Charter School pursuant to *Education Code* Section 47605. The Kings Canyon Online Charter School and Reedley Middle College High Charter School are operated by the District, and their financial activities are presented in the Charter Schools Fund.

**Basis of Presentation - Fund Accounting**

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are comprised of governmental funds.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

**Major Governmental Fund**

**General Fund** The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

One fund currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 20, Special Reserve Fund for Postemployment Benefits, was not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been consolidated with the General Fund for presentation in these audited financial statements. As a result, the General Fund reflects an increase in fund balance of \$425,081.

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

### Non-Major Governmental Funds

**Special Revenue Funds** The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

- **Student Activities Fund** The Student Activities Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.
- **Charter Schools Fund** The Charter Schools Fund may be used by authorizing districts to account separately for the operating activities of district-operated charter schools that would otherwise be reported in the authorizing District's General Fund.
- **Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.
- **Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.
- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

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

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and Government Code Section 65995 et seq.). Expenditures are restricted to the purposes specified in Government Code Sections 65970-65981 or to the items specified in agreements with the developer (Government Code Section 66006).
- **County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

**Debt Service Funds** The Debt Service funds are used to account for the accumulation of resources for, and the payment of, principal and interest on general long-term liabilities.

- **Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

#### **Basis of Accounting - Measurement Focus**

**Government-Wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting; which differs from the manner in which governmental fund financial statements are prepared.

The government-wide *Statement of Activities* presents a comparison between expenses, both direct and indirect, of the District and for each governmental function. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*, except for depreciation and amortization of leased assets. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their use.

**Fund Financial Statements** Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. The major fund is presented in a separate column. Non-major governmental funds are aggregated and presented in a single column.

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

**Unearned Revenue** Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

**Expenses/Expenditures** On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred. Principal and interest on long-term liabilities, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

**Investments**

Investments held at June 30, 2022, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county pools are determined by the program sponsor.

**Stores Inventories**

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds when consumed rather than when purchased.

**Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2022.

**Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the Statement of Net Position.

**Compensated Absences**

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

**Accrued Liabilities and Long-Term Liabilities**

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

However, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, leases, and other long-term liabilities are recognized as liabilities in the governmental fund financial statements when due.

**Premiums**

In the government-wide financial statements, long-term liabilities are reported as liabilities in the Statement of Net Position. Debt premiums related to those obligations are deferred and amortized over the life of the bonds using the straight-line method.

**Deferred Outflows of Resources and Deferred Inflows of Resources**

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items.

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 period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items, and for OPEB related items.

**Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of

employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

### **Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

### **Leases**

The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the lease term.

### **Fund Balances - Governmental Funds**

As of June 30, 2022, fund balances of the governmental funds are classified as follows:

**Nonspendable** - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

**Assigned** - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business official may assign amounts for specific purposes.



**Unassigned** - all other spendable amounts.

### **Spending Order Policy**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

### **Minimum Fund Balance Policy**

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than ten percent of General Fund expenditures and other financing uses.

### **Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$30,029,988 of restricted net position.

### **Interfund Activity**

Transfers between governmental activities in the government-wide financial statements are reported in the same manner as general revenues.

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

### **Estimates**

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

**Property Tax**

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

**Change in Accounting Principles****Implementation of GASB Statement No. 87**

As of July 1, 2021, the County adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note 15 and the additional disclosures required by this standard is included in Notes 4 and 8.

**Implementation of GASB Statement No. 92**

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reporting
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

The provisions of this Statement have been implemented as of June 30, 2022.

#### **Implementation of GASB Statement No. 93**

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

The provisions of this Statement have been implemented as of June 30, 2022.

**Note 2 - Deposits and Investments****Summary of Deposits and Investments**

Deposits and investments as of June 30, 2022, are classified in the accompanying financial statements as follows:

Governmental funds	<u>\$ 84,078,109</u>
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Deposits and investments as of June 30, 2022, consist of the following:

Cash on hand and in banks	\$ 536,495
Cash in revolving	150,650
Investments	<u>83,390,964</u>
Total deposits and investments	<u>\$ 84,078,109</u>

**Policies and Practices**

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

**Investment in County Treasury** - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

### General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

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

### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool which purchases a combination of shorter term and longer term investments and which also times cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment of \$83,390,964 in the Fresno County Treasury Investment Pool that has an average weighted maturity of 848 days.

### Credit Risk - Investments

Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment with the Fresno County Treasury Investment Pool is currently not rated, nor is it required to be rated.

**Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2022, \$343,451 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

**Note 3 - Receivables**

Receivables at June 30, 2022, consists of intergovernmental grants, entitlements, and local sources. All receivables are considered collectible in full.

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Federal Government				
Categorical aid	\$ 8,598,587	\$ -	\$ 1,972,503	\$ 10,571,090
State Government				
LCFF apportionment	638,827	-	-	638,827
Other State	4,467,146	-	368,633	4,835,779
Local Sources	424,548	3,778	106,828	535,154
Total	<u>\$ 14,129,108</u>	<u>\$ 3,778</u>	<u>\$ 2,447,964</u>	<u>\$ 16,580,850</u>

**Note 4 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2022, are as follows:

	Balance July 1, 2021 as Restated	Additions	Deductions	Balance June 30, 2022
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 6,657,322	\$ 375,000	\$ -	\$ 7,032,322
Construction in progress	2,277,895	7,957,026	(242,585)	9,992,336
Total capital assets not being depreciated	8,935,217	8,332,026	(242,585)	17,024,658
Capital assets being depreciated				
Land improvements	33,298,302	2,612,727	-	35,911,029
Buildings and improvements	233,842,388	12,217,041	-	246,059,429
Furniture and equipment	23,231,370	751,750	-	23,983,120
Total capital assets being depreciated	290,372,060	15,581,518	-	305,953,578
Total capital assets	299,307,277	23,913,544	(242,585)	322,978,236
Accumulated depreciation				
Land improvements	(10,537,487)	(1,460,083)	-	(11,997,570)
Buildings and improvements	(69,522,133)	(6,986,047)	-	(76,508,180)
Furniture and equipment	(16,501,337)	(1,381,483)	-	(17,882,820)
Total accumulated depreciation	(96,560,957)	(9,827,613)	-	(106,388,570)
Net depreciable capital assets	193,811,103	5,753,905	-	199,565,008
Right-to-use leased assets being amortized				
Buildings and improvements	29,119	-	-	29,119
Furniture and equipment	1,469,921	-	-	1,469,921
Total right-to-use leased assets being amortized	1,499,040	-	-	1,499,040
Accumulated amortization				
Buildings and improvements	(1,165)	(13,980)	-	(15,145)
Furniture and equipment	(826,822)	(293,733)	-	(1,120,555)
Total accumulated amortization	(827,987)	(307,713)	-	(1,135,700)
Net right-to-use leased assets	671,053	(307,713)	-	363,340
Governmental activities capital assets and right-to-use leased assets, net	\$ 203,417,373	\$ 13,778,218	\$ (242,585)	\$ 216,953,006

Depreciation and amortization expenses were charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	\$ 6,283,573
School site administration	98,276
Home-to-school transportation	1,375,866
Food services	294,828
Data processing	196,552
All other administration	103,280
Plant services	1,782,951
	<u>1,782,951</u>
Total depreciation and amortization expenses - governmental activities	<u>\$ 10,135,326</u>

## Note 5 - Interfund Transactions

### Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2022, between major and non-major governmental funds are as follows:

Funds	Due from Other Funds	Due to Other Funds
Major Governmental Fund		
General	\$ 348,212	\$ 505
Non-Major Governmental Funds		
Charter Schools	55	38,432
Adult Education	-	35,063
Child Development	-	52,924
Cafeteria	13,918	235,261
	<u>13,918</u>	<u>235,261</u>
Total	<u>\$ 362,185</u>	<u>\$ 362,185</u>



Kings Canyon Unified School District

Notes to Financial Statements

June 30, 2022

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The General Fund owes the Cafeteria Non-Major Governmental Fund for an indirect cost adjustment.	\$	213
The General Fund owes the Cafeteria Non-Major Governmental Fund for food service costs.		237
The General Fund owes the Charter Schools Non-Major Governmental Fund for correction of Cal Card expenditure coding.		55
The Charter Schools Non-Major Governmental Fund owes the General Fund for indirect costs.		65
The Charter Schools Non-Major Governmental Fund owes the General Fund for site postage.		143
The Charter Schools Non-Major Governmental Fund owes the General Fund for fuel used.		649
The Charter Schools Non-Major Governmental Fund owes the General Fund for payroll costs.		33,121
The Charter Schools Non-Major Governmental Fund owes the General Fund for transportation costs.		4,454
The Adult Non-Major Governmental Fund owes the General Fund for indirect costs.		31,401
The Adult Non-Major Governmental Fund owes the General Fund for payroll costs.		2,438
The Adult Non-Major Governmental Fund owes the General Fund for additional site postage.		3
The Adult Non-Major Governmental Fund owes the General Fund for transportation costs.		1,221
The Child Development Non-Major Governmental Fund owes the General Fund for indirect costs.		24,266
The Child Development Non-Major Governmental Fund owes the General Fund for payroll costs.		15,190
The Child Development Non-Major Governmental Fund owes the Cafeteria Non-Major Governmental Fund for preschool snacks.		3,205
The Child Development Non-Major Governmental Fund owes the Cafeteria Non-Major Governmental Fund for adult meals.		10,263
The Cafeteria Non-Major Governmental Fund owes the General Fund for indirect costs.		224,104
The Cafeteria Non-Major Governmental Fund owes the General Fund for payroll costs.		11,155
The Cafeteria Non-Major Governmental Fund owes the General Fund for postage.		2
Total	\$	<u>362,185</u>

**Operating Transfers**

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2022, consists of the following:

The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects for construction costs.	\$ 11,500,000
The Charter Schools Non-Major Governmental Fund transferred to the Special Reserve Fund for Capital Outlay Projects for the Reedley Middle College new building construction costs.	<u>1,260,000</u>
Total	<u><u>\$ 12,760,000</u></u>

**Note 6 - Accounts Payable**

Accounts payable at June 30, 2022, consists of the following:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Vendor payables	\$ 8,961,554	\$ 1,879,869	\$ 1,144,904	\$ 11,986,327
LCFF apportionment	345,427	-	-	345,427
Salaries and benefits	<u>4,350,854</u>	<u>-</u>	<u>70,571</u>	<u>4,421,425</u>
Total	<u><u>\$ 13,657,835</u></u>	<u><u>\$ 1,879,869</u></u>	<u><u>\$ 1,215,475</u></u>	<u><u>\$ 16,753,179</u></u>

**Note 7 - Unearned Revenue**

Unearned revenue at June 30, 2022, consists of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 1,030,673	\$ 5,814	\$ 1,036,487
State categorical aid	<u>1,971,142</u>	<u>-</u>	<u>1,971,142</u>
Total	<u><u>\$ 3,001,815</u></u>	<u><u>\$ 5,814</u></u>	<u><u>\$ 3,007,629</u></u>

**Note 8 - Long-Term Liabilities Other than OPEB and Pensions****Summary**

The changes in the District's long-term liabilities other than OPEB and pensions during the year consisted of the following:

	Balance July 1, 2021 as Restated	Additions	Deductions	Balance June 30, 2022	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 88,079,763	\$ 1,395,923	\$ (3,050,000)	\$ 86,425,686	\$ 3,320,000
Unamortized debt					
premiums	3,098,420	-	(266,585)	2,831,835	-
Leases	706,364	-	(316,351)	390,013	329,512
Compensated absences	690,115	-	(142,316)	547,799	-
Total	<u>\$ 92,574,662</u>	<u>\$ 1,395,923</u>	<u>\$ (3,775,252)</u>	<u>\$ 90,195,333</u>	<u>\$ 3,649,512</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local tax revenues. The unamortized premium will be amortized over the life of the related debt. The leases are paid by the fund using the right-to-use asset. The compensated absences will be paid by the fund for which the employee worked.

Kings Canyon Unified School District

Notes to Financial Statements

June 30, 2022

**General Obligation Bonds**

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2021	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2022
2020 GORB							
5/12/20	8/1/47	1.31-1.61	\$ 17,120,000	\$ 16,895,000	\$ -	\$ (150,000)	\$ 16,745,000
2019 GORB							
8/7/19	8/1/32	4.00	1,840,000	1,840,000	-	-	1,840,000
8/7/19	8/1/51	3.48-3.91	15,332,915	15,332,914	-	-	15,332,914
Accreted interest				1,186,236	629,686	-	1,815,922
2016 GORB							
1/21/16	8/1/31	2.00-5.00	14,740,000	13,290,000	-	(630,000)	12,660,000
2012 GOB							
6/6/13	8/1/32	3.50-4.00	15,000,000	1,440,000	-	-	1,440,000
9/18/14	8/1/44	3.63-5.00	8,300,000	5,495,000	-	-	5,495,000
1/21/16	8/1/43	2.00-5.00	16,700,000	16,590,000	-	(135,000)	16,455,000
2006 GOB							
11/29/07	8/1/32	3.95-5.00	2,404,967	1,580,121	-	(131,623)	1,448,498
Accreted interest				1,786,542	150,957	(143,377)	1,794,122
2002 GOB							
7/31/02	8/1/27	3.00-5.68	17,996,488	4,438,276	-	(671,497)	3,766,779
Accreted interest				8,205,674	615,280	(1,188,503)	7,632,451
Total				<u>\$ 88,079,763</u>	<u>\$ 1,395,923</u>	<u>\$ (3,050,000)</u>	<u>\$ 86,425,686</u>

**Debt Service Requirements to Maturity**

The capital appreciation bonds mature as follows:

Bonds Maturing Fiscal Year	Initial Bond Value	Accreted Interest	Accreted Obligation	Unaccreted Interest	Maturity Value
2023	\$ 785,410	\$ 1,449,590	\$ 2,235,000	\$ -	\$ 2,235,000
2024	769,049	1,447,879	2,216,928	123,072	2,340,000
2025	755,345	1,387,664	2,143,009	246,991	2,390,000
2026	745,699	1,423,319	2,169,018	385,982	2,555,000
2027	735,733	1,412,778	2,148,511	526,489	2,675,000
2028-2032	1,223,310	2,042,322	3,265,632	1,184,368	4,450,000
2033-2037	3,291,623	610,252	3,901,875	4,503,125	8,405,000
2038-2042	4,203,904	491,573	4,695,477	5,214,523	9,910,000
2043-2047	4,075,268	490,644	4,565,912	7,934,088	12,500,000
2048-2052	3,962,850	486,474	4,449,324	6,465,676	10,915,000
Total	<u>\$ 20,548,191</u>	<u>\$ 11,242,495</u>	<u>\$ 31,790,686</u>	<u>\$ 26,584,314</u>	<u>\$ 58,375,000</u>

# Kings Canyon Unified School District

Notes to Financial Statements

June 30, 2022

The current interest bonds mature as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2023	\$ 1,085,000	\$ 2,097,921	\$ 3,182,921
2024	1,250,000	2,047,344	3,297,344
2025	1,445,000	1,988,036	3,433,036
2026	1,665,000	1,919,353	3,584,353
2027	1,885,000	1,840,043	3,725,043
2028-2032	13,160,000	7,651,949	20,811,949
2033-2037	10,015,000	4,875,881	14,890,881
2038-2042	12,105,000	3,288,647	15,393,647
2043-2047	10,655,000	1,059,880	11,714,880
2048	1,370,000	23,369	1,393,369
Total	<u>\$ 54,635,000</u>	<u>\$ 26,792,423</u>	<u>\$ 81,427,423</u>

## Leases

The District has entered into agreements to lease various facilities and equipment. The District's liability on lease agreements is summarized below:

<u>Lease</u>	<u>Leases Outstanding July 1, 2021</u>	<u>Payments</u>	<u>Leases Outstanding June 30, 2022</u>
Facility	\$ 27,919	\$ (13,751)	\$ 14,168
Postage Meter	17,839	(4,907)	12,932
Copiers	660,606	(297,693)	362,913
Total	<u>\$ 706,364</u>	<u>\$ (316,351)</u>	<u>\$ 390,013</u>

## Facility

The District entered into an agreement to lease a facility for 25 months beginning June 2021. Under the terms of the lease, the District paid the monthly payments of \$1,200, which amounted to total principal and interest costs of \$30,000. The annual interest rate charged on the lease is 3.0%. At June 30, 2022, the District has recognized a right-to-use asset of \$29,119 and a lease liability of \$14,168 related to this agreement. During the fiscal year, the District recorded \$13,980 in amortization expense and \$649 in interest expense for the right-to-use of the building.

## Postage Meter

The District entered into an agreement to lease a postage meter for five years beginning November 2019. Under the terms of the lease, the District paid the quarterly payments of \$1,347, which amounted to total principal and interest costs of \$28,287. The annual interest rate charged on the lease is 3.0%. At June 30, 2022, the District has recognized a right-to-use asset of \$26,277 and a lease liability of \$12,932 related to this agreement. During

the fiscal year, the District recorded \$5,004 in amortization expense and \$481 in interest expense for the right-to-use of the postage meter.

### Copiers

The District entered into an agreement to lease copiers for five years beginning February 2019. Under the terms of the lease, the District paid monthly payments starting at \$25,585 in 2019 increasing to \$26,411 in 2023. This amounted to total principal and interest costs of \$1,553,360. The annual interest rate charged on the lease is 3.0%. At June 30, 2022, the District has recognized a right-to-use asset of \$1,443,644 and a lease liability of \$362,913 related to this agreement. During the fiscal year, the District recorded \$288,729 in amortization expense and \$15,747 in interest expense for the right-to-use of the copiers.

The remaining principal and interest payment requirements for the lease obligation debt as of June 30, 2022 are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 329,512	\$ 7,209	\$ 336,721
2024	57,835	375	58,210
2025	2,666	30	2,696
Total	<u>\$ 390,013</u>	<u>\$ 7,614</u>	<u>\$ 397,627</u>

### Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2022, amounted to \$547,799.

### Note 9 - Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2022, the District reported a Net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 24,340,938	\$ 4,359,445	\$ 6,425,616	\$ 2,545,642
Medicare Premium Payment (MPP) Program	558,751	-	-	(103,619)
Total	<u>\$ 24,899,689</u>	<u>\$ 4,359,445</u>	<u>\$ 6,425,616</u>	<u>\$ 2,442,023</u>

The details of each plan are as follows:

### **District Plan**

#### **Plan Administration**

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

#### **Plan Membership**

At June 30, 2022, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	133
Active employees	<u>1,136</u>
Total	<u><u>1,269</u></u>

#### **Benefits Provided**

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

#### **Contributions**

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Kings Canyon Education Association (KCEA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, KCEA, CSEA, and the unrepresented groups. For measurement period of June 30, 2022, the District paid \$1,209,130 in benefits, including credit for an implicit subsidy totaling \$185,025.

#### **Total OPEB Liability of the District**

The total OPEB liability of \$24,340,938 was measured as of June 30, 2022, by an actuarial valuation as of the same date.

**Actuarial Assumptions**

The following assumptions were applied to all periods included in the measurement, unless otherwise specified :

Inflation	2.50%
Salary increases	2.75%
Discount rate	3.54%
Healthcare cost trend rates	4.00%

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the 2020 CalSTRS Mortality Table and the 2017 CalPERS Mortality for Miscellaneous and School Employees Table. Mortality rates vary by age and sex (and sometimes retirement and disability). If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer. Retirement rates for certificated employees were based on the 2020 CalSTRS retirement rates. Retirement rates for classified and management employees were based on the 2017 CalSTRS retirement rates. The rates are usually based on age and/or length of service.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actual experience study as of June 30, 2022.

**Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance, June 30, 2021	\$ 29,893,752
Service cost	1,872,213
Interest	652,866
Differences between expected and actual experience	(3,602,552)
Changes of assumptions or other inputs	(3,266,211)
Benefit payments	(1,209,130)
Net change in total OPEB liability	(5,552,814)
Balance, June 30, 2022	\$ 24,340,938

Changes in Benefit Terms - There were no changes in benefit terms since the previous valuation.

Changes in Assumptions - The discount rate increased from 2.16% to 3.54% since the previous measurement.



**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

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

<u>Discount Rate</u>	<u>Total OPEB Liability</u>
1% decrease (2.54%)	\$ 26,675,359
Current discount rate (3.54%)	24,340,938
1% increase (4.54%)	22,186,081

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rate:

<u>Healthcare Cost Trend Rate</u>	<u>Total OPEB Liability</u>
1% decrease (3.0%)	\$ 21,425,324
Current healthcare cost trend rate (4.0%)	24,340,938
1% increase (5.0%)	27,866,442

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$2,545,642. The deferred outflows of resources and deferred inflows of resources related to differences between expected and actual experience in the measurement of the total OPEB liability and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 521,562	3,370,129
Changes of assumptions	3,837,883	3,055,487
Total	<u>\$ 4,359,445</u>	<u>\$ 6,425,616</u>

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

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2023	\$ 463,710	\$ 443,147
2024	463,710	443,147
2025	463,710	443,147
2026	447,254	443,147
2027	299,248	443,147
Thereafter	2,221,813	4,209,881
Total	\$ 4,359,445	\$ 6,425,616

### Medicare Premium Payment (MPP) Program

#### Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020, annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

#### Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

### **Net OPEB Liability and OPEB Expense**

At June 30, 2022, the District reported a liability of \$558,751 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively, was 0.1401% and 0.1563%, resulting in a net decrease in the proportionate share of 0.0162%.

For the year ended June 30, 2022, the District recognized OPEB expense of \$(103,619).

### **Actuarial Methods and Assumptions**

The June 30, 2021 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total OPEB liability to June 30, 2021, using the assumptions listed in the following table:

Measurement Date	June 30, 2021	June 30, 2020
Valuation Date	June 30, 2020	June 30, 2019
Experience Study	June 30, 2015 through June 30, 2018	June 30, 2014 through June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	2.16%	2.21%
Medicare Part A Premium Cost Trend Rate	4.50%	4.50%
Medicare Part B Premium Cost Trend Rate	5.40%	5.40%

For the valuation as of June 30, 2020, 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 our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 245 or an average of 0.16% of the potentially eligible population (152,062).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2021, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

### Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2021, is 2.16%. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 2.16%, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2021, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.05% from 2.21% as of June 30, 2020.

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

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net OPEB Liability
1% decrease (1.16%)	\$ 615,897
Current discount rate (2.16%)	558,751
1% increase (3.16%)	509,925

### Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the current Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (3.50% Part A and 4.40% Part B)	\$ 508,119
Current Medicare costs trend rate (4.50% Part A and 5.40% Part B)	558,751
1% increase (5.50% Part A and 6.40% Part B)	616,799

Kings Canyon Unified School District

Notes to Financial Statements

June 30, 2022

**Note 10 - Fund Balances**

Fund balances are composed of the following elements:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
<b>Nonspendable</b>				
Revolving cash	\$ 150,000	\$ -	\$ -	\$ 150,000
Stores inventories	66,581	-	150,020	216,601
Total nonspendable	216,581	-	150,020	366,601
<b>Restricted</b>				
Educational programs	15,120,988	-	1,336,542	16,457,530
Student activities	-	-	526,105	526,105
Food service	-	-	2,279,238	2,279,238
Capital projects	-	-	6,508,131	6,508,131
Debt services	-	-	5,086,784	5,086,784
Total restricted	15,120,988	-	15,736,800	30,857,788
<b>Committed</b>				
Adult education program	-	-	158,675	158,675
Instructional resources	20,217,328	-	-	20,217,328
Total committed	20,217,328	-	158,675	20,376,003
<b>Assigned</b>				
Other postemployment benefits	425,081	-	-	425,081
Board reserve	7,694,786	-	-	7,694,786
Instructional resources	-	-	3,974,595	3,974,595
Capital projects	-	12,136,748	-	12,136,748
Total assigned	8,119,867	12,136,748	3,974,595	24,231,210
<b>Unassigned</b>				
Reserve for economic uncertainties	3,544,323	-	-	3,544,323
Remaining unassigned	1,738,827	-	-	1,738,827
Total unassigned	5,283,150	-	-	5,283,150
<b>Total</b>	<u>\$ 48,957,914</u>	<u>\$ 12,136,748</u>	<u>\$ 20,020,090</u>	<u>\$ 81,114,752</u>

**Note 11 - Risk Management****Property and Liability**

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2022, the District contracted with the School Insurance Authority (SIA) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

**Workers' Compensation**

For fiscal year 2022, the District participated in the School Insurance Authority (SIA), an insurance purchasing pool. The intent of SIA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in SIA. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in SIA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of SIA. Participation in the SIA is limited to districts that can meet SIA selection criteria.

**Employee Medical Benefits**

The District has contracted with California Valued Trust (CVT) to provide employee health benefits for management, confidential employees, and certificated and classified employees. CVT is a shared risk pool. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

**Note 12 - Employee Retirement Systems**

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2022, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 42,410,709	\$ 19,966,443	\$ 38,109,508	\$ 3,009,980
CalPERS	28,380,581	6,570,639	11,545,578	3,173,890
Total	<u>\$ 70,791,290</u>	<u>\$ 26,537,082</u>	<u>\$ 49,655,086</u>	<u>\$ 6,183,870</u>

The details of each plan are as follows:

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

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

**Benefits Provided**

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2022, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	16.92%	16.92%
Required state contribution rate	10.828%	10.828%

### Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the District's total contributions were \$9,460,705.



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

At June 30, 2022, 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:

Total net pension liability, including State share

Proportionate share of net pension liability	\$ 42,410,709
State's proportionate share of the net pension liability	<u>21,339,424</u>
Total	<u><u>\$ 63,750,133</u></u>

The net pension liability was measured as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively, was 0.0932% and 0.0897%, resulting in a net increase in the proportionate share of 0.0035%.

For the year ended June 30, 2022, the District recognized pension expense of \$3,009,980. In addition, the District recognized pension expense and revenue of \$730,102 for support provided by the State.

At June 30, 2022, 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>
Pension contributions subsequent to measurement date	\$ 9,460,705	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	4,390,350	48,161
Differences between projected and actual earnings on pension plan investments	-	33,547,963
Differences between expected and actual experience in the measurement of the total pension liability	106,241	4,513,384
Changes of assumptions	<u>6,009,147</u>	<u>-</u>
Total	<u><u>\$ 19,966,443</u></u>	<u><u>\$ 38,109,508</u></u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows of resources and deferred inflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ (8,519,171)
2024	(7,792,259)
2025	(7,985,635)
2026	(9,250,898)
Total	<u>\$ (33,547,963)</u>

The deferred outflows of resources and deferred inflows of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ 2,865,032
2024	2,953,043
2025	261,918
2026	107,878
2027	(76,778)
Thereafter	(166,900)
Total	<u>\$ 5,944,193</u>

### Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	42%	4.8%
Real estate	15%	3.6%
Private equity	13%	6.3%
Fixed income	12%	1.3%
Risk mitigating strategies	10%	1.8%
Inflation sensitive	6%	3.3%
Cash/liquidity	2%	(0.4%)

**Discount Rate**

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return of 7.10% and assume that contributions, benefit payments and administrative expense occurred midyear. Based on these 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 total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 86,333,024
Current discount rate (7.10%)	42,410,709
1% increase (8.10%)	5,956,023

**California Public Employees Retirement System (CalPERS)****Plan Description**

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2020 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

**Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible

survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2022, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	22.91%	22.91%

### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2022, are presented above and the total District contributions were \$5,168,419.

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

As of June 30, 2022, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$28,380,581. The net pension liability was measured as of June 30, 2021. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2021 and June 30, 2020, respectively was 0.1396% and 0.1377%, resulting in a net increase in the proportionate share of 0.0019%.

# Kings Canyon Unified School District

Notes to Financial Statements

June 30, 2022

For the year ended June 30, 2022, the District recognized pension expense of \$3,173,890. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 5,168,419	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	554,987	587,051
Differences between projected and actual earnings on pension plan investments	-	10,891,622
Differences between expected and actual experience in the measurement of the total pension liability	847,233	66,905
Changes of assumptions	-	-
Total	<u>\$ 6,570,639</u>	<u>\$ 11,545,578</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows of resources and deferred inflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ (2,731,609)
2024	(2,511,960)
2025	(2,618,882)
2026	(3,029,171)
Total	<u>\$ (10,891,622)</u>

The deferred outflows of resources and deferred inflows of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2023	\$ 593,923
2024	45,633
2025	97,685
2026	11,023
Total	<u>\$ 748,264</u>

#### Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90% of scale MP-2016.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	(0.92%)

### Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool 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 total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 47,853,644
Current discount rate (7.15%)	28,380,581
1% increase (8.15%)	12,213,760

### Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use Social Security. Contributions made by the District and an employee vest immediately.

### On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$5,966,214 (10.828% of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves, and have been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.



**Note 13 - Commitments and Contingencies****Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2022.

**Litigation**

The District is not currently a party to any legal proceedings.

**Construction Commitments**

As of June 30, 2022, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Afterschool portables	\$ 60,800	December 2022
Grant drop off	92,655	December 2022
Learning pavilions	67,937	December 2022
Marquee projects	338,279	December 2022
MVS portable	614,782	June 2023
New office projects	564,120	July 2024
Office remodel	124,454	July 2024
Portable project	64,104	January 2023
Restroom project	64,361	January 2023
RHS Pirate helm	39,621	December 2022
Washington portable	514,431	January 2023
Total	<u>\$ 2,545,544</u>	

**Note 14 - Participation in Public Entity Risk Pools and Joint Powers Authorities**

The District is a member of the California Valued Trust (CVT) and the School Insurance Authority (SIA) joint powers authorities (JPAs). The District pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. The relationships between the District, the pools, and the JPAs are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

The District does not have any board members appointed to the governing board of CVT.

During the year ended June 30, 2022, the District made payments of \$18,439,447 to CVT for employee medical benefits.

The District does not have any board members appointed to the governing board of SIA.

During the year ended June 30, 2022, the District made payments of \$942,679 SIA for workers' compensation insurance

The District does not have any board members appointed to the governing board of SIA.

During the year ended June 30, 2022, the District made payments of \$755,155 to SIA for property and liability insurance coverage.

**Note 15 - Restatement of Prior Year Net Position and Fund Balance**

As of July 1, 2021, the District adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 87 as follows:

## Government-Wide Financial Statements

Net Position - Beginning	\$ 54,201,071
Right-to-use intangible asset, net of amortization	671,053
Lease liability	(706,364)
	<hr/>
Net Position - Beginning, as Restated	<u><u>\$ 54,165,760</u></u>



Required Supplementary Information  
June 30, 2022

## Kings Canyon Unified School District

Kings Canyon Unified School District  
Budgetary Comparison Schedule – General Fund  
Year Ended June 30, 2022

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
<b>Revenues</b>				
Local control funding formula	\$ 114,286,256	\$ 117,077,036	\$ 117,071,121	\$ (5,915)
Federal sources	8,815,652	67,528,906	22,369,865	(45,159,041)
Other State sources	11,156,000	23,636,704	28,139,904	4,503,200
Other local sources	6,618,980	12,106,378	6,329,465	(5,776,913)
<b>Total revenues <sup>1</sup></b>	<b>140,876,888</b>	<b>220,349,024</b>	<b>173,910,355</b>	<b>(46,438,669)</b>
<b>Expenditures</b>				
Current				
Certificated salaries	58,154,988	62,588,365	57,283,414	5,304,951
Classified salaries	21,817,000	22,059,055	20,391,870	1,667,185
Employee benefits	38,822,005	39,406,925	36,922,350	2,484,575
Books and supplies	17,205,424	17,359,182	11,263,670	6,095,512
Services and operating expenditures	16,407,048	26,367,394	20,244,233	6,123,161
Other outgo	1,462,040	1,296,315	1,612,516	(316,201)
Capital outlay	9,712,579	40,303,148	16,877,576	23,425,572
<b>Total expenditures <sup>1</sup></b>	<b>163,581,084</b>	<b>209,380,384</b>	<b>164,595,629</b>	<b>44,784,755</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(22,704,196)</b>	<b>10,968,640</b>	<b>9,314,726</b>	<b>(1,653,914)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	646,145	-	(646,145)
Transfers out	(300,000)	(11,500,000)	(11,500,000)	-
<b>Net Change in Fund Balances</b>	<b>(23,004,196)</b>	<b>114,785</b>	<b>(2,185,274)</b>	<b>(2,300,059)</b>
<b>Fund Balance - Beginning</b>	<b>51,143,188</b>	<b>51,143,188</b>	<b>51,143,188</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 28,138,992</b>	<b>\$ 51,257,973</b>	<b>\$ 48,957,914</b>	<b>\$ (2,300,059)</b>

<sup>1</sup> Due to the consolidation of Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these funds are included in the actual revenues and expenditures, however, are not included in the original and final General Fund budgets.

Kings Canyon Unified School District  
Schedule of Changes in the District's Total OPEB Liability and Related Ratios  
Year Ended June 30, 2022

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 1,872,213	\$ 1,809,105	\$ 1,084,173	\$ 1,052,595	\$ 838,328
Interest	652,866	635,550	727,444	761,914	747,519
Difference between expected and actual experience	(3,602,552)	-	462,316	302,452	-
Changes of assumptions	(3,266,211)	114,101	4,031,970	996,786	-
Benefit payments	(1,209,130)	(1,298,171)	(743,332)	(1,537,019)	(1,470,303)
Net change in total OPEB liability	(5,552,814)	1,260,585	5,562,571	1,576,728	115,544
Total OPEB Liability - Beginning	29,893,752	28,633,167	23,070,596	21,493,868	21,378,324
Total OPEB Liability - Ending	<u>\$ 24,340,938</u>	<u>\$ 29,893,752</u>	<u>\$ 28,633,167</u>	<u>\$ 23,070,596</u>	<u>\$ 21,493,868</u>
Covered Payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Total OPEB Liability as a Percentage of Covered Payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

<sup>1</sup> The OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay; therefore, no measure of payroll is presented.

*Note:* In the future, as data becomes available, ten years of information will be presented.

Kings Canyon Unified School District  
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program  
Year Ended June 30, 2022

Year ended June 30,	2022	2021	2020	2019	2018
Proportion of the net OPEB liability	0.1401%	0.1563%	0.1567%	0.1527%	0.1513%
Proportionate share of the net OPEB liability	\$ 558,751	\$ 662,370	\$ 583,634	\$ 584,464	\$ 636,688
Covered payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>	N/A <sup>1</sup>
Plan fiduciary net position as a percentage of the total OPEB liability	(0.80%)	(0.71%)	(0.81%)	(0.40%)	0.01%
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

<sup>1</sup> As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

*Note:* In the future, as data becomes available, ten years of information will be presented.

Kings Canyon Unified School District  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Year Ended June 30, 2022

	2022	2021	2020	2019
<b>CalSTRS</b>				
Proportion of the net pension liability	0.0932%	0.0897%	0.0886%	0.0851%
Proportionate share of the net pension liability	\$ 42,410,709	\$ 86,927,494	\$ 80,014,382	\$ 78,186,294
State's proportionate share of the net pension liability	21,339,424	44,811,134	43,653,187	44,765,310
Total	<u>\$ 63,750,133</u>	<u>\$ 131,738,628</u>	<u>\$ 123,667,569</u>	<u>\$ 122,951,604</u>
Covered payroll	<u>\$ 52,429,065</u>	<u>\$ 49,194,602</u>	<u>\$ 48,337,967</u>	<u>\$ 46,635,218</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>80.89%</u>	<u>176.70%</u>	<u>165.53%</u>	<u>167.66%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>87%</u>	<u>72%</u>	<u>73%</u>	<u>71%</u>
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
<b>CalPERS</b>				
Proportion of the net pension liability	0.1396%	0.1377%	0.1373%	0.1349%
Proportionate share of the net pension liability	<u>\$ 28,380,581</u>	<u>\$ 42,239,689</u>	<u>\$ 40,014,167</u>	<u>\$ 35,957,046</u>
Covered payroll	<u>\$ 20,020,643</u>	<u>\$ 19,845,799</u>	<u>\$ 19,060,165</u>	<u>\$ 17,785,281</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>141.76%</u>	<u>212.84%</u>	<u>209.94%</u>	<u>202.17%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>81%</u>	<u>70%</u>	<u>70%</u>	<u>71%</u>
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018

*Note:* In the future, as data becomes available, ten years of information will be presented.

Kings Canyon Unified School District  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Year Ended June 30, 2022

	2018	2017	2016	2015
<b>CalSTRS</b>				
Proportion of the net pension liability	0.0836%	0.0838%	0.0831%	0.0847%
Proportionate share of the net pension liability	\$ 77,305,980	\$ 67,788,614	\$ 55,971,347	\$ 49,514,741
State's proportionate share of the net pension liability	45,733,565	38,590,849	29,602,672	29,899,139
Total	<u>\$ 123,039,545</u>	<u>\$ 106,379,463</u>	<u>\$ 85,574,019</u>	<u>\$ 79,413,880</u>
Covered payroll	<u>\$ 44,519,141</u>	<u>\$ 42,242,563</u>	<u>\$ 39,923,063</u>	<u>\$ 37,939,042</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	173.65%	160.47%	140.20%	130.51%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%	77%
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>CalPERS</b>				
Proportion of the net pension liability	0.1306%	0.1302%	0.1333%	0.1277%
Proportionate share of the net pension liability	\$ 31,170,711	\$ 25,706,149	\$ 19,649,573	\$ 14,493,258
Covered payroll	<u>\$ 16,656,185</u>	<u>\$ 15,601,249</u>	<u>\$ 14,718,571</u>	<u>\$ 13,425,170</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	187.14%	164.77%	133.50%	107.96%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%	83%
Measurement Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

*Note:* In the future, as data becomes available, ten years of information will be presented.



Kings Canyon Unified School District  
Schedule of the District's Contributions  
Year Ended June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>CalSTRS</b>				
Contractually required contribution	\$ 9,460,705	\$ 8,467,294	\$ 8,412,277	\$ 7,869,421
Less contributions in relation to the contractually required contribution	<u>9,460,705</u>	<u>8,467,294</u>	<u>8,412,277</u>	<u>7,869,421</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 55,914,332</u>	<u>\$ 52,429,065</u>	<u>\$ 49,194,602</u>	<u>\$ 48,337,967</u>
Contributions as a percentage of covered payroll	<u>16.92%</u>	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>
<b>CalPERS</b>				
Contractually required contribution	\$ 5,168,419	\$ 4,144,273	\$ 3,913,790	\$ 3,442,647
Less contributions in relation to the contractually required contribution	<u>5,168,419</u>	<u>4,144,273</u>	<u>3,913,790</u>	<u>3,442,647</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 22,559,664</u>	<u>\$ 20,020,643</u>	<u>\$ 19,845,799</u>	<u>\$ 19,060,165</u>
Contributions as a percentage of covered payroll	<u>22.910%</u>	<u>20.700%</u>	<u>19.7210%</u>	<u>18.0620%</u>

*Note:* In the future, as data becomes available, ten years of information will be presented.

Kings Canyon Unified School District  
Schedule of the District's Contributions  
Year Ended June 30, 2022

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>CalSTRS</b>				
Contractually required contribution	\$ 6,729,462	\$ 5,600,508	\$ 4,532,627	\$ 3,545,168
Less contributions in relation to the contractually required contribution	<u>6,729,462</u>	<u>5,600,508</u>	<u>4,532,627</u>	<u>3,545,168</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 46,635,218</u>	<u>\$ 44,519,141</u>	<u>\$ 42,242,563</u>	<u>\$ 39,923,063</u>
Contributions as a percentage of covered payroll	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
<b>CalPERS</b>				
Contractually required contribution	\$ 2,762,232	\$ 2,313,211	\$ 1,848,280	\$ 1,732,523
Less contributions in relation to the contractually required contribution	<u>2,762,232</u>	<u>2,313,211</u>	<u>1,848,280</u>	<u>1,732,523</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 17,785,281</u>	<u>\$ 16,656,185</u>	<u>\$ 15,601,249</u>	<u>\$ 14,718,571</u>
Contributions as a percentage of covered payroll	<u>15.5310%</u>	<u>13.8880%</u>	<u>11.8470%</u>	<u>11.7710%</u>

*Note:* In the future, as data becomes available, ten years of information will be presented.

## **Note 1 - Purpose of Schedules**

### **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 State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

### **Schedule of Changes in the District's Total OPEB Liability and Related Ratios**

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

- Changes in Benefit Terms - There were no changes in the benefit terms since the previous valuation.
- Changes in Assumptions - The discount rate increased from 2.16% to 3.54% since the previous valuation.

### **Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program**

This schedule presents information on the District's proportionate share of the net OPEB Liability - MPP Program and the plan's fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* - The plan rate of investment return assumption was changed from 2.21% to 2.16% since the previous valuation.

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

- Changes in Benefit Terms - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- Changes of Assumptions - There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

#### **Schedule of the District's Contributions**

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.



Supplementary Information  
June 30, 2022

**Kings Canyon Unified School District**

Kings Canyon Unified School District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Defense Naval Junior ROTC	[1]	[2]	\$ 34,152
U.S. Department of Treasury Passed Through California Department of Education COVID-19, Coronavirus Relief Fund (CRF)	21.019	25516	(175,003)
U.S. Department of Education Passed Through California Department of Education Special Education Cluster			
Special Education Grants to States - Basic Local Assistance	84.027	13379	1,448,075
Special Education Grants to States - Private School ISP	84.027	10115	46,910
Subtotal CFDA 84.027 programs			1,494,985
Special Education Preschool Grants - Part B, Section 619	84.173	13430	44,829
Total Special Education Cluster			1,539,814
Adult Education - Basic Grants to States	84.002	14508	51,008
Adult Education - Basic Grants to States	84.002	13978	120,354
Subtotal CFDA 84.002 programs			171,362
Migrant Education State Grant Program	84.011	14326	194,436
Migrant Education State Grant Program - Summer	84.011	10005	104,115
Subtotal CFDA 84.011 programs			298,551
COVID-19, Elementary and Secondary School Emergency Relief Fund I (ESSER I)	84.425D	15536	(18,668)
COVID-19, Elementary and Secondary School Emergency Relief Fund II (ESSER II)	84.425D	15547	7,588,065
COVID-19, Elementary and Secondary School Emergency Relief Fund III (ESSER III)	84.425U	15559	2,592,656
COVID-19, Elementary and Secondary School Emergency Relief Fund III (ESSER III) Learning Loss	84.425U	10155	1,997,921
COVID-19, Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425D	15618	557,164
COVID-19, Expanded Learning Opportunities (ELO) Grant GEER II	84.425D	15619	67,170
COVID-19, Expanded Learning Opportunities (ELO) Grant ESSER III State Reserve, Emergency Needs	84.425U	15620	55,181
COVID-19, Expanded Learning Opportunities (ELO) Grant ESSER III State Reserve, Learning Loss	84.425U	15621	272,711
Subtotal 84.425 programs			13,112,200

[1] Federal Financial Assistance Listing/Federal CFDA Number not available

[2] Pass-Through Entity Identifying Number not available

Kings Canyon Unified School District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through California Department of Education			
Title I Grants to Local Educational Agencies	84.010	14329	5,787,444
ESEA: ESSA School Improvement (CSI) Funding for LEAs	84.010	15438	260,213
Subtotal CFDA 84.010 programs			<u>6,047,657</u>
Career and Technical Education - Basic Grants to States	84.048	14894	142,707
English Language Acquisition State Grants - LEP	84.365	14346	337,704
Supporting Effective Instruction State Grants - Teacher Quality	84.367	14341	731,764
Student Support and Academic Enrichment Program	84.424	15396	106,006
Total U.S. Department of Education			<u>22,487,765</u>
U.S. Department of Health and Human Services			
Passed Through California Department of Education			
COVID-19, Child Development Coronavirus Response and Relief Supplemental Appropriations (CRRSA)	93.575	15555	93,016
COVID-19, Child Development ARP California State Preschool Program	93.575	15640	44,984
Total U.S. Department of Health and Human Services			<u>138,000</u>
U.S. Department of Agriculture			
Passed Through California Department of Education			
Forest Service Schools and Roads Cluster			
Forest Reserve	10.665	10044	242,973
Child Nutrition Cluster			
COVID-19, SNP Emergency Operational Costs Reimbursements (ECR)	10.555	15637	646,145
National School Lunch Program - Meal Supplements	10.555	13396	326,066
National School Lunch Program - Commodity Supplemental Food	10.555	13391	459,476
Subtotal CFDA 10.555 programs			<u>1,431,687</u>
National School Lunch Program - Summer Food Program	10.559	13004	7,207,952
Fresh Fruit and Vegetable Program	10.582	14968	111,882
Total Child Nutrition Cluster			<u>8,751,521</u>
Total U.S. Department of Agriculture			<u>8,994,494</u>
Total Federal Financial Assistance			<u>\$31,479,408</u>

[1] Federal Financial Assistance Listing/Federal CFDA Number not available

[2] Pass-Through Entity Identifying Number not available

## Organization

The Kings Canyon Unified School District was organized on July 1, 1966, and consists of an area comprising approximately 600 square miles. The District operates twelve elementary schools, three middle schools, two high schools, one continuation school, two charter schools, one independent study school, and an adult education school. There were no boundary changes during the year.

## Governing Board

Member	Office	Term Expires
Clotilda Mora	President	2024
Robin Tyler	Clerk	2022
Craig Cooper	Member	2024
Nancy Hernandez	Member	2024
Patricia Olsen	Member	2022
Noel Remick	Member	2022
Sarah Rola	Member	2022

## Administration

Name	Title
John Campbell	Superintendent
Roberto Gutierrez	Deputy Superintendent
Adele Nikkel	Chief Financial Officer
Monica Benner	Assistant Superintendent-Curriculum & Instruction
Sergio Rodriguez	Student Services Administrator
Jose Guzman	Educational Programs Administrator



Kings Canyon Unified School District  
Schedule of Average Daily Attendance  
Year Ended June 30, 2022

	Second Period Report	Annual Report
Kings Canyon Unified School District		
Regular ADA		
Transitional kindergarten through third	2,658.23	2,657.64
Fourth through sixth	2,062.45	2,059.77
Seventh and eighth	1,382.89	1,385.73
Ninth through twelfth	2,604.27	2,584.44
Total regular ADA	<u>8,707.84</u>	<u>8,687.58</u>
Kings Canyon Online Charter School		
All non-classroom based attendance		
Regular ADA		
Transitional kindergarten through third	36.54	33.90
Fourth through sixth	29.60	28.44
Seventh and eighth	30.24	29.82
Ninth through twelfth	94.04	92.87
Total Charter School ADA	<u>190.42</u>	<u>185.03</u>
Reedley Middle College High Charter School		
All classroom based attendance		
Regular ADA		
Ninth through twelfth	<u>233.99</u>	<u>231.47</u>

# Kings Canyon Unified School District

Schedule of Instructional Time

Year Ended June 30, 2022

## Kings Canyon Unified School District

Grade Level	1986-1987 Minutes Requirement	2021-2022 Actual Minutes	Number of Actual Days	Status
Kindergarten	36,000	53,920	180	Complied
Grades 1 - 3	50,400			
Grade 1		58,500	180	Complied
Grade 2		61,080	180	Complied
Grade 3		61,080	180	Complied
Grades 4 - 8	54,000			
Grade 4		61,080	180	Complied
Grade 5		61,080	180	Complied
Grade 6		61,080	180	Complied
Grade 7		62,020	180	Complied
Grade 8		62,020	180	Complied
Grades 9 - 12	64,800			
Grade 9		65,282	180	Complied
Grade 10		65,282	180	Complied
Grade 11		65,282	180	Complied
Grade 12		65,282	180	Complied

## Reedley Middle College High School Charter School

Grade Level	1986-1987 Minutes Requirement	2021-2022 Actual Minutes	Number of Actual Days	Status
Grades 9 - 12	64,800			
Grade 9		65,308	180	Complied
Grade 10		65,308	180	Complied
Grade 11		65,308	180	Complied
Grade 12		65,308	180	Complied

Kings Canyon Unified School District  
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
Year Ended June 30, 2022

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Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	<u>General Fund</u>
Fund Balance	
Balance, June 30, 2022, Unaudited Actuals	\$ 49,899,508
Increase in	
Receivables	638,827
Unearned revenue	<u>(1,580,421)</u>
Balance, June 30, 2022, Audited Financial Statements	<u><u>\$ 48,957,914</u></u>

Kings Canyon Unified School District  
Schedule of Financial Trends and Analysis  
Year Ended June 30, 2022

	(Budget) 2023 <sup>1</sup>	2022	2021 <sup>1</sup>	2020 <sup>1</sup>
General Fund <sup>4</sup>				
Revenues	\$ 221,701,702	\$ 173,921,585	\$ 160,535,701	\$ 134,827,560
Other sources	103,823	-	-	1,333
Total Revenues and Other Sources	<u>221,805,525</u>	<u>173,921,585</u>	<u>160,535,701</u>	<u>134,828,893</u>
Expenditures	232,137,705	164,595,629	137,240,961	127,351,344
Other uses and transfers out	<u>4,200,000</u>	<u>11,500,000</u>	<u>4,000,000</u>	<u>3,500,000</u>
Total Expenditures and Other Uses	<u>236,337,705</u>	<u>176,095,629</u>	<u>141,240,961</u>	<u>130,851,344</u>
Increase/(Decrease) in Fund Balance	<u>(14,532,180)</u>	<u>(2,174,044)</u>	<u>19,294,740</u>	<u>3,977,549</u>
Ending Fund Balance	<u>\$ 34,000,653</u>	<u>\$ 48,532,833</u>	<u>\$ 50,706,877</u>	<u>\$ 31,412,137</u>
Available Reserves <sup>2</sup>	<u>\$ 4,133,639</u>	<u>\$ 5,283,150</u>	<u>\$ 26,911,475</u>	<u>\$ 27,515,928</u>
Available Reserves as a Percentage of Total Outgo	<u>1.75%</u>	<u>3.00%</u>	<u>19.05%</u>	<u>21.03%</u>
Long-Term Liabilities <sup>5</sup>	<u>Not Available</u>	<u>\$ 185,886,312</u>	<u>\$ 252,297,967</u>	<u>\$ 242,673,920</u>
Average Daily Attendance at P-2 <sup>3</sup>	<u>8,961</u>	<u>8,708</u>	<u>9,158</u>	<u>9,158</u>

The General Fund balance has increased by \$17,120,696 over the past two years. The fiscal year 2022-2023 budget projects a decrease of \$14,532,180 (29.9%). For a district this size, the State recommends available reserves of at least 3.0 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an deficit during the 2022-2023 fiscal year. Total long-term liabilities have decreased by \$56,787,608 over the past two years mostly due to changes in the net pension obligation.

Average daily attendance has decreased by 450 over the past two years; however, growth of 253 ADA is anticipated during fiscal year 2022-2023.

<sup>1</sup> Financial information for 2023, 2021, and 2020 are included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund.

<sup>3</sup> Excludes charter schools ADA.

<sup>4</sup> General Fund amounts do not include activity related to the consolidation of the Special Reserve Fund for Postemployment Benefits as required by GASB Statement No. 54.

<sup>5</sup> Long-term liabilities balance was restated as of June 30, 2021, due to the implementation of GASB Statement No. 87, *Leases*.

Kings Canyon Unified School District  
Schedule of Charter Schools  
Year Ended June 30, 2022

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<u>Name of Charter School</u>	<u>Charter Number</u>	<u>Included in Audit Report</u>
Kings Canyon Online	1074	Yes
Reedley Middle College High	1513	Yes

Kings Canyon Unified School District  
Combining Balance Sheet – Non-Major Governmental Funds  
June 30, 2022

	Student Activities Fund	Charter Schools Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
<b>Assets</b>									
Deposits and investments	\$ 526,105	\$ 4,761,997	\$ 570,828	\$ 234,911	\$ 1,152,198	\$ 2,960,439	\$ 3,698,983	\$ 5,085,641	\$ 18,991,102
Receivables	-	194,780	147,512	40,861	2,046,265	16,794	609	1,143	2,447,964
Due from other funds	-	55	-	-	13,918	-	-	-	13,973
Stores inventories	-	-	-	-	150,020	-	-	-	150,020
Total assets	<u>\$ 526,105</u>	<u>\$ 4,956,832</u>	<u>\$ 718,340</u>	<u>\$ 275,772</u>	<u>\$ 3,362,401</u>	<u>\$ 2,977,233</u>	<u>\$ 3,699,592</u>	<u>\$ 5,086,784</u>	<u>\$ 21,603,059</u>
<b>Liabilities and Fund Balances</b>									
<b>Liabilities</b>									
Accounts payable	\$ -	\$ 287,827	\$ 47,372	\$ 19,514	\$ 692,068	\$ 149,382	\$ 19,312	\$ -	\$ 1,215,475
Due to other funds	-	38,432	35,063	52,924	235,261	-	-	-	361,680
Unearned revenue	-	-	-	-	5,814	-	-	-	5,814
Total liabilities	<u>-</u>	<u>326,259</u>	<u>82,435</u>	<u>72,438</u>	<u>933,143</u>	<u>149,382</u>	<u>19,312</u>	<u>-</u>	<u>1,582,969</u>
<b>Fund Balances</b>									
Nonspendable	-	-	-	-	150,020	-	-	-	150,020
Restricted	526,105	655,978	477,230	203,334	2,279,238	2,827,851	3,680,280	5,086,784	15,736,800
Committed	-	-	158,675	-	-	-	-	-	158,675
Assigned	-	3,974,595	-	-	-	-	-	-	3,974,595
Total fund balances	<u>526,105</u>	<u>4,630,573</u>	<u>635,905</u>	<u>203,334</u>	<u>2,429,258</u>	<u>2,827,851</u>	<u>3,680,280</u>	<u>5,086,784</u>	<u>20,020,090</u>
Total liabilities and fund balances	<u>\$ 526,105</u>	<u>\$ 4,956,832</u>	<u>\$ 718,340</u>	<u>\$ 275,772</u>	<u>\$ 3,362,401</u>	<u>\$ 2,977,233</u>	<u>\$ 3,699,592</u>	<u>\$ 5,086,784</u>	<u>\$ 21,603,059</u>

# Kings Canyon Unified School District

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds Year Ended June 30, 2022

	Student Activities Fund	Charter Schools Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
<b>Revenues</b>									
Local control funding formula	\$ -	\$ 5,286,420	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,286,420
Federal sources	-	48,661	171,362	117,000	8,751,520	-	-	-	9,088,543
Other State sources	-	704,462	1,190,154	1,601,404	473,749	-	3,790,583	38,686	7,799,038
Other local sources	823,851	(104,666)	(28,021)	(4,387)	284,951	1,382,158	(139,318)	5,256,629	7,471,197
<b>Total revenues</b>	<b>823,851</b>	<b>5,934,877</b>	<b>1,333,495</b>	<b>1,714,017</b>	<b>9,510,220</b>	<b>1,382,158</b>	<b>3,651,265</b>	<b>5,295,315</b>	<b>29,645,198</b>
<b>Expenditures</b>									
<b>Current</b>									
Instruction	-	2,827,958	588,714	1,584,555	-	-	-	-	5,001,227
Instruction-related activities									
Supervision of instruction	-	45,094	-	4,352	-	-	-	-	49,446
Instructional library, media, and technology	-	-	15,382	-	-	-	-	-	15,382
School site administration	-	270,633	470,670	55,122	-	-	-	-	796,425
Pupil services									
Home-to-school transport	-	441	-	-	-	-	-	-	441
Food services	-	-	-	-	7,671,355	-	-	-	7,671,355
All other pupil services	-	143,353	10,659	-	-	-	-	-	154,012
Administration									
All other administration	-	25,629	31,401	75,176	223,891	-	-	-	356,097
Plant services	-	91,475	83,314	1,314	422,623	-	-	-	598,726
Ancillary services	819,042	58,411	-	-	-	-	-	-	877,453
Facility acquisition and construction	-	-	-	-	-	218,986	252,105	-	471,091
Debt service									
Principal	-	-	-	-	-	-	-	3,050,000	3,050,000
Interest and other	-	-	-	-	-	-	-	2,118,510	2,118,510
<b>Total expenditures</b>	<b>819,042</b>	<b>3,462,994</b>	<b>1,200,140</b>	<b>1,720,519</b>	<b>8,317,869</b>	<b>218,986</b>	<b>252,105</b>	<b>5,168,510</b>	<b>21,160,165</b>

Kings Canyon Unified School District  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds  
Year Ended June 30, 2022

	Student Activities Fund	Charter Schools Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Excess (Deficiency) of Revenues Over Expenditures	4,809	2,471,883	133,355	(6,502)	1,192,351	1,163,172	3,399,160	126,805	8,485,033
Other Financing Uses Transfers out	-	(1,260,000)	-	-	-	-	-	-	(1,260,000)
Net Change in Fund Balances	4,809	1,211,883	133,355	(6,502)	1,192,351	1,163,172	3,399,160	126,805	7,225,033
Fund Balance - Beginning	521,296	3,418,690	502,550	209,836	1,236,907	1,664,679	281,120	4,959,979	12,795,057
Fund Balance - Ending	<u>\$ 526,105</u>	<u>\$ 4,630,573</u>	<u>\$ 635,905</u>	<u>\$ 203,334</u>	<u>\$ 2,429,258</u>	<u>\$ 2,827,851</u>	<u>\$ 3,680,280</u>	<u>\$ 5,086,784</u>	<u>\$ 20,020,090</u>



**Note 1 - Purpose of Schedules**

**Schedule of Expenditures of Federal Awards (SEFA)**

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Kings Canyon Unified School District (the District) under programs of the federal government for the year ended June 30, 2022. The information 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). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the net position or fund balance nor changes thereof for the District.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

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

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2022, the District had food commodities totaling \$459,476 in inventory.

SEFA Reconciliation

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist of CRRSA funds that were recognized as revenue in the previous year but expended in the current year. Additionally, the ARP funds have been recorded in the current period as revenues but have not been expended as of June 30, 2022. These unspent balances are reported as legally restricted ending balances within the Child Development Fund.

Description	<u>Federal Financial Assistance Listing/Federal CFDA Number</u>	<u>Amount</u>
Total Federal Revenues reported on the financial statements		\$ 31,458,408
COVID-19, Child Development Coronavirus Response and Relief Supplemental Appropriations (CRRSA)	93.575	93,016
COVID-19, Child Development ARP California State Preschool Program	93.575	<u>(72,016)</u>
Total Schedule of Expenditures of Federal Awards		<u><u>\$ 31,479,408</u></u>

### **Local Education Agency Organization Structure**

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

### **Schedule of Average Daily Attendance (ADA)**

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

### **Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has met 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 46207.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

### **Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

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

### **Schedule of Financial Trends and Analysis**

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

### **Schedule of Charter Schools**

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

### **Non-Major Governmental Funds - Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**

These schedules are included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.



Independent Auditor's Reports  
June 30, 2022

# Kings Canyon Unified School District



**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***

To the Governing Board  
Kings Canyon Unified School District  
Reedley, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kings Canyon Unified School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Kings Canyon Unified School District's basic financial statements and have issued our report thereon dated February 1, 2023.

***Adoption of New Accounting Standard***

As discussed in Notes 1 and 15 to the financial statements, the Kings Canyon Unified School District has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2021, to restate beginning net position. Our opinions are not modified with respect to this matter.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Kings Canyon Unified School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kings Canyon Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Kings Canyon 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001 that we consider to be a material weakness.

### **Report on Compliance and Other Matters**

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

### **Kings Canyon Unified School District's Response to Finding**

Government Auditing Standards requires the auditor to perform limited procedures on Kings Canyon Unified School District's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. Kings Canyon Unified School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fresno, California  
February 1, 2023



## **Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance**

To the Governing Board  
Kings Canyon Unified School District  
Reedley, California

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited Kings Canyon Unified School District's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Kings Canyon Unified School District's major federal programs for the year ended June 30, 2022. Kings Canyon Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Kings Canyon Unified School District complied, in all material respects, with the 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, 2022.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

### **Report on Internal Control over Compliance**

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

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

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

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fresno, California  
February 1, 2023





## Independent Auditor's Report on State Compliance

To the Governing Board  
Kings Canyon Unified School District  
Reedley, California

### Report on State Compliance

#### ***Qualified and Unmodified Opinions on State Compliance***

We have audited Kings Canyon Unified School District's (the District) compliance with the requirements specified in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the District's state program requirements identified below for the year ended June 30, 2022.

#### ***Qualified Opinion on Classroom Teacher Salaries***

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022.

#### ***Unmodified Opinion on Each of the Other Programs***

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022, except as described in the accompanying Schedule of Findings and Questioned Costs.

#### ***Basis for Qualified and Unmodified Opinions***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

#### ***Matter Giving Rise to Qualified Opinion on Classroom Teacher Salaries***

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding *Classroom Teacher Salaries* as described in the accompanying Schedule of State Compliance Findings and Questioned Costs as item 2022-002.

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements referred to above.

#### ***Responsibilities of Management for Compliance***

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

#### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.

- Obtain an understanding of the District’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal controls over compliance. Accordingly, we express no such opinion; and.
- Select and test transactions and records to determine the District’s compliance with the state laws and regulations applicable to the following items:

2021-2022 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios 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)
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	No (see below)
After/Before School Education and Safety Program	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)
Immunizations	No (see below)
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	No (see below)
In Person Instruction Grant	Yes
Charter Schools	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Yes
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	No (see below)

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform procedures related to Juvenile Court Schools.

The District does not have any Middle or Early College High Schools, therefore, we did not perform procedures related to Middle or Early College High Schools.

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.

We did not perform District of Choice procedures because the program is not offered by the District.

We did not perform California Clean Energy Jobs Act procedures because the related procedures were performed in a previous year.

We did not perform procedures for the After/Before School Education and Safety Program because the District did not offer the program.

The District does not offer an Independent Study - Course Based program; therefore, we did not perform any procedures related to the Independent Study - Course Based Program.

The District was not listed on the immunization assessment reports; therefore, we did not perform any related procedures.

We did not perform Career Technical Education Incentive Grant procedures because the District did not receive funding for this grant.

Additionally, we did not perform procedures for the Charter School Facility Grant Program because the District did not receive funding for this program.

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

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001.

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

## Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with compliance requirement will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a significant deficiency.

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

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

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 *2021-2022 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 "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fresno, California  
February 1, 2023



Schedule of Findings and Questioned Costs  
June 30, 2022

# Kings Canyon Unified School District

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a):	No

**Identification of major programs:**

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing/ Federal CFDA Number</u>
COVID-19, Elementary and Secondary School Emergency Relief Fund I (ESSER I)	84.425D
COVID-19, Elementary and Secondary School Emergency Relief Fund II (ESSER II)	84.425D
COVID-19, Elementary and Secondary School Emergency Relief Fund III (ESSER III)	84.425U
COVID-19, Elementary and Secondary School Emergency Relief Fund III (ESSER III) Learning Loss	84.425U
COVID-19, Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve	84.425D
COVID-19, Expanded Learning Opportunities (ELO) Grant GEER II	84.425D
COVID-19, Expanded Learning Opportunities (ELO) Grant ESSER III State Reserve, Emergency Needs	84.425U
COVID-19, Expanded Learning Opportunities (ELO) Grant ESSER III State Reserve, Learning Loss	84.425U
Dollar threshold used to distinguish between type A and type B programs:	\$ 944,382
Auditee qualified as low-risk auditee?	No

**State Compliance**

Internal control over state compliance programs

Material weaknesses identified

Yes

Significant deficiencies identified not considered  
to be material weaknesses

None Reported

Type of auditor's report issued on compliance for programs:

Unmodified

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

Name of Program

Classroom Teacher Salaries



The following finding represents a material weakness related to the financial statements that are required to be reported in accordance with Government Auditing Standards. The finding has been coded as follows:

Five Digit Code

AB 3627 Finding Type

30000

Internal Control

**2022-001      30000 - Internal Control Over Financial Reporting****Criteria or Specific Requirements**

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of all entries used in the preparation of the District's financial statements in accordance with *Generally Accepted Accounting Principles* (GAAP).

**Condition**

The following conditions were noted during our audit of the year-end balances:

- During our testing of the state apportionment and year-end related accruals, we discovered an error leading to a material audit adjustment to the unaudited financial statements.
- During a post-closing review by the Fresno County Superintendent of Schools, it was discovered that the District erroneously recorded an ending fund balance for the In-Person Instruction (IPI) Grant rather than unearned revenue.

These errors resulted in the District not preparing financial statements in accordance with GAAP.

**Questioned Costs**

The above conditions resulted in an increase of \$638,827 to the state apportionment revenue and a decrease of \$1,580,421 to the other state revenue. The net effect of these two misstatements resulted in an overall reduction of \$941,594 to the General Fund revenues.

**Effect**

The total General Fund revenues are overstated by \$941,594, and an audit adjustment was necessary. This changed the unaudited balances in the General Fund which also impacted the entity wide full accrual financial statements.

**Cause**

During the closing process, the District's state apportionment calculation was not updated to include June 30, 2022, actual figures resulting in the understatement. The IPI Grant was miscalculated as an entitlement and thus incorrectly ended the year with a fund balance.

**Repeat Finding**

Yes, this is a repeat finding related to finding 2021-001.

**Recommendation**

The District should ensure that someone other than the preparer, that has knowledge of the state apportionment calculation, reviews the final state apportionment workbook prior to the related accruals being posted to balance the ending state apportionment funding. Additionally, the District should ensure that someone that has knowledge of grant and entitlement funding calculations review the final year end calculations prior to closing.

**Corrective Action Plan and Views of Responsible Officials**

The District will ensure the CFO will review new grants to ensure they are closed according to State guidelines. Accountant will also check the CDE Resource lookup for guidance and ensure accounts are closed properly.

None reported.

The following finding represents a material instance of noncompliance that is required to be reported by the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
61000	Classroom Teacher Salaries

**2022-002      61000 – Classroom Teacher Salaries**

**Criteria or Specific Requirements**

*Education Code* Section 41372 requires that the payment of classroom teacher salaries and benefits meet or exceed 55 percent (for unified districts) of total expenditures of the District.

**Condition**

The District spent 47.05 percent of their current expense (\$137,741,567) of education on classroom teacher salaries and benefits.

**Questioned Costs**

There are no questioned costs related to this finding.

**Effect**

The noncompliance resulted in the District being deficient by 7.95% or \$10,950,455.

**Cause**

As a result of the District receiving significant sources of one-time funding to be used specifically for COVID-19 related expenditures, the District's ratio was not maintained.

**Repeat Finding**

No.

**Recommendation**

We recommend the District continue to work on this requirement and apply for a waiver from the county superintendent of schools.

**Corrective Action Plan and Views of Responsible Officials**

As per *Education Code 41372*, the District will apply for a waiver for this unique fiscal circumstance due to the District receiving new funding sources to be used specifically for COVID-19 related expenditures that are not eligible for exclusion from this calculation.

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

## **Financial Statement Findings**

**2021-001      30000**

### **Internal Control Over Financial Reporting**

#### **Criteria or Specific Requirements**

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of all adjusting entries, reclassifying entries, and conversion entries used in the preparation of the District's financial statements. The District should ensure that all applicable accounting principles are adhered to when preparing the financial statements.

#### **Condition**

During our testing of the District's state general apportionment and related year-end accruals we discovered a miscalculation leading to a material audit adjustment to the unaudited financial statements. It appeared the issue was the in the Local Control Funding Formula (LCFF) apportionment calculation for the Charter Schools. During the 2020-2021 year, the State partially deferred LCFF payments in February, March, April, May, and June. During our testing, we found that the District did not create an account receivable for this deferred revenue in the Charter School Fund.

#### **Questioned costs**

The above mentioned condition resulted in an increase of \$925,020 in Charter School LCFF revenue for Kings Canyon Unified School District.

#### **Effect**

The LCFF receivable of \$925,020 was material, and an audit adjustment was necessary. This changed the unaudited balances in the Charter Schools Fund which also impacted the entity wide full accrual financial statements.

#### **Cause**

The types of adjustments are extremely rare for the District. A few factors contributed to the oversight. The calculation is involved, and a complicated workbook is utilized to determine the District's ending balances. Additionally, the COVID pandemic had the business office almost entirely working in a completely or partially remote environment; that, coupled with additional responsibilities and issues requiring attention regarding COVID grants and the distance learning coordination and planning we feel led to this oversight.

**Recommendation**

In the future, the District should ensure that someone other than the preparer, that has knowledge of the calculation, reviews the final LCFF workbook prior to the related accruals being posted to balance the ending state's share of general apportionment funding.

**Repeat Finding (Yes or No)**

No. This finding is not a repeat of or related to a finding in the previous year.

**Current Status**

Not implemented, see current year findings and recommendations.