



Financial Statements
June 30, 2021

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 Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Kings Canyon Unified School District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Kings Canyon Unified School District, as of June 30, 2021, 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Notes 1 and 15 to the financial statements, Kings Canyon Unified School District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the District's net 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 District contributions, be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kings Canyon Unified School District's financial statements. The combining non-major governmental fund financial statements, Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 financial statements.

The combining non-major governmental fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information 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 combining non-major governmental fund financial statements, the schedule of expenditures of federal awards, and the 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 a report dated March 11, 2022 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, 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
March 11, 2022



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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, 2021, with comparative information for the fiscal year ended June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement 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 each governmental fund financial statement.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$54.2 million for the fiscal year ended June 30, 2021. Of this amount, \$17.8 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 \$54.2 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 | |
|----------------------------------|----------------------------|---------------------|
| | 2021 | 2020 as Restated |
| Assets | | |
| Current and other assets | \$ 90,944,634 | \$ 67,815,618 |
| Capital assets | 202,746,320 | 195,215,979 |
| Total assets | 293,690,954 | 263,031,597 |
| Deferred outflows of resources | 37,220,205 | 39,224,091 |
| Liabilities | | |
| Current liabilities | 21,562,247 | 12,395,107 |
| Long-term liabilities | 251,591,603 | 242,673,920 |
| Total liabilities | 273,153,850 | 255,069,027 |
| Deferred inflows of resources | 3,556,238 | 6,136,140 |
| Net Position | | |
| Net investment in capital assets | 124,774,766 | 113,283,917 |
| Restricted | 17,816,201 | 15,611,448 |
| Unrestricted (deficit) | (88,389,896) | (87,844,844) |
| Total net position | \$ 54,201,071 | \$ 41,050,521 |

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 | |
|--------------------------------------|--|----------------------------|--------------------|
| | | 2021 | 2020* |
| Revenues | | | |
| Program revenues | | | |
| Charges for services | | \$ 872,706 | \$ 830,882 |
| Operating grants and contributions | | 53,373,384 | 28,326,737 |
| Capital grants and contributions | | 16,200 | 3,543,456 |
| General revenues | | | |
| Federal and State aid not restricted | | 101,544,694 | 102,726,970 |
| Property taxes | | 17,874,574 | 16,879,819 |
| Other general revenues | | 8,174,503 | 4,485,394 |
| Total revenues | | <u>181,856,061</u> | <u>156,793,258</u> |
| Expenses | | | |
| Instruction-related | | 114,841,690 | 99,630,157 |
| Pupil services | | 23,912,375 | 24,353,405 |
| Administration | | 7,136,633 | 6,602,730 |
| Plant services | | 16,197,507 | 14,544,683 |
| Other | | 6,617,306 | 10,844,639 |
| Total expenses | | <u>168,705,511</u> | <u>155,975,614</u> |
| Change in net position | | <u>\$ 13,150,550</u> | <u>\$ 817,644</u> |

* The revenues and expenses for fiscal year 2020 were not restated to show the effects of GASB 84 for comparative purposes.

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was \$168.7 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$17.9 million because the cost was paid by those who benefited from the programs of \$0.9 million or by other governments and organizations who subsidized certain programs with grants and contributions totaling \$53.4 million. We paid for the remaining "public benefit" portion of our governmental activities with \$109.7 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 | |
|--------------------|------------------------|-----------------------|-------------------------|-------------------------|
| | 2021 | 2020* | 2021 | 2020* |
| Instruction | \$ 114,841,690 | \$ 99,630,157 | \$ (75,345,603) | \$ (77,753,184) |
| Pupil services | 23,912,375 | 24,353,405 | (15,300,686) | (15,133,566) |
| Administration | 7,136,633 | 6,602,730 | (5,621,853) | (5,839,496) |
| Plant services | 16,197,507 | 14,544,683 | (14,354,788) | (13,963,801) |
| All other services | 6,617,306 | 10,844,639 | (3,820,291) | (10,584,492) |
| Total | <u>\$ 168,705,511</u> | <u>\$ 155,975,614</u> | <u>\$ (114,443,221)</u> | <u>\$ (123,274,539)</u> |

* The total cost of services and net cost of services for fiscal year 2020 were not restated to show the effects of GASB 84 for comparative purposes.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$69.4 million, which is an increase of \$14.0 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 increased from \$31.8 million to \$51.1 million due primarily to the receipt of CARES Act funding.
- The non-major governmental funds decreased by \$5.3 million, primarily due to ongoing capital projects.

Table 4

| Governmental Funds | Balances and Activity | | | |
|---|-----------------------------|--|---|----------------------|
| | July 1, 2020 as Restated | Revenues and Other Financing Sources | Expenditures and Other Financing Uses | June 30, 2021 |
| General | \$ 31,837,104 | \$ 160,547,045 | \$ 141,240,961 | \$ 51,143,188 |
| Student Activities | 562,318 | 252,928 | 293,950 | 521,296 |
| Charter Schools | 1,545,546 | 4,003,460 | 2,130,316 | 3,418,690 |
| Adult Education | 411,633 | 1,306,552 | 1,215,635 | 502,550 |
| Child Development | 121,922 | 1,669,773 | 1,581,859 | 209,836 |
| Cafeteria | 1,966,340 | 5,492,176 | 6,221,609 | 1,236,907 |
| Capital Facilities | 1,293,386 | 2,027,289 | 1,655,996 | 1,664,679 |
| County School Facilities | 2,176,711 | 23,670 | 1,919,261 | 281,120 |
| Special Reserve Fund for Capital Outlay Projects | 11,057,502 | 3,667,926 | 9,281,286 | 5,444,142 |
| Bond Interest and Redemption | 4,448,049 | 5,392,366 | 4,880,436 | 4,959,979 |
| Total | <u>\$ 55,420,511</u> | <u>\$ 184,383,185</u> | <u>\$ 170,421,309</u> | <u>\$ 69,382,387</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 8, 2021. 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 \$24.4 million. While revenues and transfers in were approximately \$21.6 million less than budgeted, expenditures and transfers out were approximately \$16.5 million less than budgeted, leaving the fund with an actual increase of approximately \$19.3 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021, the District had \$202.7 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of approximately \$7.5 million (Table 5). This year's major addition included the completion of the Reedley High School modernization.

Table 5

| | Governmental Activities | |
|-----------------------------------|----------------------------|-----------------------|
| | 2021 | 2020 |
| Land and construction in progress | \$ 8,935,217 | \$ 19,011,142 |
| Buildings and improvements | 187,081,070 | 169,663,722 |
| Equipment | 6,730,033 | 6,541,115 |
| Total | <u>\$ 202,746,320</u> | <u>\$ 195,215,979</u> |

We present more detailed information regarding our capital assets in Notes to Financial Statements.

Long-Term Liabilities

At the end of this year, the District had \$251.6 million in debt versus \$242.7 million last year, an increase of \$8.9 million. Those liabilities consisted of:

Table 6

| | Governmental Activities | |
|---------------------------------|----------------------------|-----------------------|
| | 2021 | 2020 |
| Long-Term Liabilities | | |
| General obligation bonds | \$ 88,079,763 | \$ 89,517,777 |
| Unamortized premiums | 3,098,420 | 3,365,005 |
| Compensated absences | 690,115 | 545,788 |
| Total OPEB liability | 30,556,122 | 29,216,801 |
| Aggregate net pension liability | <u>129,167,183</u> | <u>120,028,549</u> |
| Total | <u>\$ 251,591,603</u> | <u>\$ 242,673,920</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 \$88.1 million is below this statutorily-imposed limit.

At year-end, the District has a net pension liability of \$129.2 million versus \$120.0 million last year, an increase of \$9.2 million, or 7.6 percent. The District also reported deferred outflows of resources from pension activities of \$30.4 million, and deferred inflows of resources from pension activities of \$3.6 million. We present more detailed information regarding our long-term liabilities in Notes to Financial Statements.

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

- **Student Achievement and Support:** The District supported success for all students by maintaining education through COVID-19. We are very proud of all of our district staff as they worked many hours providing instruction, emotional support and meals for students in a continuing new environment.
- **School-Wide Average Daily Attendance:** 2020-2021 was stable considering distance learning and COVID-19.
- **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, clean and orderly learning environment. We have installed air filters in our HVAC system and plan changes to our sites to better support social distancing.
- **Fiscal Responsibility:** The District works 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 Expended Learning Opportunities. With this one-time funding, we have purchased technology, expanded our support for After School Programs, Social Emotional Learning, touchless faucets, in person learning and facilities.
- **Facilities:** The District continues to improve current facilities.



ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In considering the District Budget for the 2021-2022 school year, the Governing Board and District Administration used the following criteria:

- LCAP (Local Control Accountability Plan) due to additional funding from the State will require a LCAP Supplement due in February of 2022. 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 LCP plan.
- 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, 2021

| | Governmental Activities |
|--|----------------------------|
| Assets | |
| Deposits and investments | \$ 60,411,917 |
| Receivables | 30,336,518 |
| Stores inventories | 196,199 |
| Capital assets not depreciated | 8,935,217 |
| Capital assets, net of accumulated depreciation | <u>193,811,103</u> |
| Total assets | <u>293,690,954</u> |
| Deferred Outflows of Resources | |
| Deferred charge on refunding | 2,028,177 |
| Deferred outflows of resources related to OPEB | 4,823,155 |
| Deferred outflows of resources related to pensions | <u>30,368,873</u> |
| Total deferred outflows of resources | <u>37,220,205</u> |
| Liabilities | |
| Accounts payable | 19,908,632 |
| Unearned revenue | 1,653,615 |
| Long-term liabilities | |
| Long-term liabilities other than OPEB and pensions due within one year | 3,050,000 |
| Long-term liabilities other than OPEB and pensions due in more than one year | 88,818,298 |
| Total other postemployment benefits liability (OPEB) | 30,556,122 |
| Aggregate net pension liabilities | <u>129,167,183</u> |
| Total liabilities | <u>273,153,850</u> |
| Deferred Inflows of Resources | |
| Deferred inflows of resources related to pensions | <u>3,556,238</u> |
| Net Position | |
| Net investment in capital assets | 124,774,766 |
| Restricted for | |
| Debt service | 4,959,979 |
| Capital projects | 1,945,799 |
| Educational programs | 9,294,386 |
| Child nutrition | 1,094,741 |
| Student activities | 521,296 |
| Unrestricted (deficit) | <u>(88,389,896)</u> |
| Total net position | <u>\$ 54,201,071</u> |

Kings Canyon Unified School District

Statement of Activities

Year Ended June 30, 2021

| 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 | \$ 93,943,127 | \$ 651,499 | \$ 35,178,152 | \$ 16,200 | \$ (58,097,276) |
| Instruction-related activities | | | | | |
| Supervision of instruction | 5,109,773 | 65,765 | 1,030,919 | - | (4,013,089) |
| Instructional library, media, and technology | 1,775,271 | 16,310 | 269,699 | - | (1,489,262) |
| School site administration | 14,013,519 | 5,266 | 2,262,277 | - | (11,745,976) |
| Pupil services | | | | | |
| Home-to-school transportation | 5,804,138 | 520 | 865,721 | - | (4,937,897) |
| Food services | 5,994,132 | 54,805 | 3,880,255 | - | (2,059,072) |
| All other pupil services | 12,114,105 | 421 | 3,809,967 | - | (8,303,717) |
| Administration | | | | | |
| Data processing | 1,748,921 | - | 112,498 | - | (1,636,423) |
| All other administration | 5,387,712 | 3,775 | 1,398,507 | - | (3,985,430) |
| Plant services | 16,197,507 | 31,445 | 1,811,274 | - | (14,354,788) |
| Ancillary services | 1,759,246 | 42,900 | 107,251 | - | (1,609,095) |
| Community services | 280,562 | - | 11,055 | - | (269,507) |
| Interest on long-term liabilities | 3,537,645 | - | - | - | (3,537,645) |
| Other outgo | 1,039,853 | - | 2,635,809 | - | 1,595,956 |
| Total governmental activities | <u>\$168,705,511</u> | <u>\$ 872,706</u> | <u>\$53,373,384</u> | <u>\$ 16,200</u> | <u>(114,443,221)</u> |
| General Revenues and Subventions | | | | | |
| Property taxes, levied for general purposes | | | | | 12,361,242 |
| Property taxes, levied for debt service | | | | | 5,295,423 |
| Taxes levied for other specific purposes | | | | | 217,909 |
| Federal and State aid not restricted to specific purposes | | | | | 101,544,694 |
| Interest and investment earnings | | | | | 1,644,133 |
| Miscellaneous | | | | | <u>6,530,370</u> |
| Subtotal, general revenues | | | | | <u>127,593,771</u> |
| Change in Net Position | | | | | 13,150,550 |
| Net Position - Beginning, as Restated | | | | | <u>41,050,521</u> |
| Net Position - Ending | | | | | <u>\$ 54,201,071</u> |

Kings Canyon Unified School District

Balance Sheet – Governmental Funds

June 30, 2021

| | General Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--|----------------------|------------------------------------|--------------------------------|
| Assets | | | |
| Deposits and investments | \$ 42,923,032 | \$ 17,488,885 | \$ 60,411,917 |
| Receivables | 28,202,142 | 2,134,376 | 30,336,518 |
| Due from other funds | 340,748 | 63,131 | 403,879 |
| Stores inventories | 54,683 | 141,516 | 196,199 |
| Total assets | \$ 71,520,605 | \$ 19,827,908 | \$ 91,348,513 |
| Liabilities and Fund Balances | | | |
| Liabilities | | | |
| Accounts payable | \$ 18,681,192 | \$ 1,227,440 | \$ 19,908,632 |
| Due to other funds | 53,393 | 350,486 | 403,879 |
| Unearned revenue | 1,642,832 | 10,783 | 1,653,615 |
| Total liabilities | 20,377,417 | 1,588,709 | 21,966,126 |
| Fund Balances | | | |
| Nonspendable | 204,683 | 142,166 | 346,849 |
| Restricted | 8,873,047 | 8,943,154 | 17,816,201 |
| Committed | - | 502,550 | 502,550 |
| Assigned | 15,153,983 | 8,651,329 | 23,805,312 |
| Unassigned | 26,911,475 | - | 26,911,475 |
| Total fund balances | 51,143,188 | 18,239,199 | 69,382,387 |
| Total liabilities and fund balances | \$ 71,520,605 | \$ 19,827,908 | \$ 91,348,513 |

Kings Canyon Unified School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021

Total Fund Balance - Governmental Funds \$ 69,382,387

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 | \$ 299,294,277 |
| Accumulated depreciation is | <u>(96,547,957)</u> |

| | |
|--------------------|-------------|
| Net capital assets | 202,746,320 |
|--------------------|-------------|

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) | 2,028,177 |
| Other postemployment benefits (OPEB) | 4,823,155 |
| Net pension liability | <u>30,368,873</u> |

| | |
|--------------------------------------|------------|
| Total deferred outflows of resources | 37,220,205 |
|--------------------------------------|------------|

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

| | |
|-----------------------|-------------|
| Net pension liability | (3,556,238) |
|-----------------------|-------------|

| | |
|---|---------------|
| Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds. | (129,167,183) |
|---|---------------|

| | |
|---|--------------|
| The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds. | (30,556,122) |
|---|--------------|

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 | (79,999,731) |
| Compensated absences (vacations) | (690,115) |

| | |
|--|---------------------|
| In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is | <u>(11,178,452)</u> |
|--|---------------------|

| | |
|-----------------------------|---------------------|
| Total long-term liabilities | <u>(91,868,298)</u> |
|-----------------------------|---------------------|

| | |
|--|-----------------------------|
| Total net position - governmental activities | <u><u>\$ 54,201,071</u></u> |
|--|-----------------------------|

Kings Canyon Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2021

| | General Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|----------------------|------------------------------------|--------------------------------|
| Revenues | | | |
| Local control funding formula | \$ 108,707,003 | \$ 3,290,362 | \$ 111,997,365 |
| Federal sources | 25,600,330 | 4,517,594 | 30,117,924 |
| Other State sources | 18,918,467 | 3,436,643 | 22,355,110 |
| Other local sources | 7,321,245 | 8,591,541 | 15,912,786 |
| Total revenues | <u>160,547,045</u> | <u>19,836,140</u> | <u>180,383,185</u> |
| Expenditures | | | |
| Current | | | |
| Instruction | 78,349,786 | 3,508,865 | 81,858,651 |
| Instruction-related activities | | | |
| Supervision of instruction | 4,619,016 | 39,847 | 4,658,863 |
| Instructional library, media, and technology | 1,658,858 | 12,723 | 1,671,581 |
| School site administration | 12,077,806 | 689,680 | 12,767,486 |
| Pupil services | | | |
| Home-to-school transportation | 4,305,858 | - | 4,305,858 |
| Food services | 16,344 | 5,447,947 | 5,464,291 |
| All other pupil services | 10,915,268 | 154,982 | 11,070,250 |
| Administration | | | |
| Data processing | 1,562,810 | - | 1,562,810 |
| All other administration | 4,401,610 | 381,086 | 4,782,696 |
| Plant services | 12,868,644 | 1,008,139 | 13,876,783 |
| Ancillary services | 1,385,091 | 330,001 | 1,715,092 |
| Community services | 261,144 | - | 261,144 |
| Other outgo | 1,039,853 | - | 1,039,853 |
| Facility acquisition and construction | 3,778,873 | 12,726,642 | 16,505,515 |
| Debt service | | | |
| Principal | - | 2,885,000 | 2,885,000 |
| Interest and other | - | 1,995,436 | 1,995,436 |
| Total expenditures | <u>137,240,961</u> | <u>29,180,348</u> | <u>166,421,309</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>23,306,084</u> | <u>(9,344,208)</u> | <u>13,961,876</u> |
| Other Financing Sources (Uses) | | | |
| Transfers in | - | 4,000,000 | 4,000,000 |
| Transfers out | (4,000,000) | - | (4,000,000) |
| Net Financing Sources (Uses) | <u>(4,000,000)</u> | <u>4,000,000</u> | <u>-</u> |
| Net Change in Fund Balances | 19,306,084 | (5,344,208) | 13,961,876 |
| Fund Balance - Beginning, as Restated | <u>31,837,104</u> | <u>23,583,407</u> | <u>55,420,511</u> |
| Fund Balance - Ending | <u>\$ 51,143,188</u> | <u>\$ 18,239,199</u> | <u>\$ 69,382,387</u> |

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, 2021

Total Net Change in Fund Balances - Governmental Funds \$ 13,961,876

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 expenses in the Statement of Activities.

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

| | | |
|----------------------|----|-------------------|
| Depreciation expense | \$ | (8,803,092) |
| Capital outlays | | <u>16,333,433</u> |

| | | |
|------------------------|--|-----------|
| Net expense adjustment | | 7,530,341 |
|------------------------|--|-----------|

The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was (1,446,986)

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. (144,327)

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. (8,117,786)

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. (1,688,930)

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 | | (95,223) |

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, 2021

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 | <u>2,885,000</u> |
| Change in net position of governmental activities | <u>\$ 13,150,550</u> |

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 Dunlap Leadership Academy Charter School and Reedley Middle College High Charter School pursuant to *Education Code* Section 47605. The Dunlap Leadership Academy 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 \$436,311.

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.).
- **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).

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. 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 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, 2021, 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.

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.

Accounts Payable and Long-Term Liabilities

Accounts payable and long-term liabilities are reported in the government-wide financial statements. In general, governmental fund accounts payable that are paid in a timely manner and in full from current financial resources are reported as liabilities of the funds.

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/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.

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 CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the MPP's fiduciary net position

have been determined on the same basis as they are reported by the MPP. For this purpose, 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.

Fund Balances - Governmental Funds

As of June 30, 2021, 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 \$17,816,201 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. 84**

As of July 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial

statements for assessing government accountability and stewardship. The impact to the District resulted in a reclassification of the District's student body activities from fiduciary to governmental. The effect of the implementation of this standard on beginning fund balance and net position is disclosed in Note 15.

New Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring 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. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2021, are classified in the accompanying financial statements as follows:

| | |
|--------------------|----------------------|
| Governmental funds | <u>\$ 60,411,917</u> |
|--------------------|----------------------|

Deposits and investments as of June 30, 2021, consist of the following:

| | |
|--------------------------------|----------------------|
| Cash on hand and in banks | \$ 682,336 |
| Investments | <u>59,729,581</u> |
| Total deposits and investments | <u>\$ 60,411,917</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 \$59,729,581 in the Fresno County Treasury Investment Pool that has an average weighted maturity of 791 days.

Credit Risk- Investment

Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. The 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 percent 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 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2021, \$108,167 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, 2021, consists of intergovernmental grants, entitlements, and local sources. All receivables are considered collectible in full.

| | General Fund | Non-Major Governmental Funds | Total |
|--------------------|----------------------|------------------------------------|----------------------|
| Federal Government | | | |
| Categorical aid | \$ 5,008,622 | \$ 828,105 | \$ 5,836,727 |
| State Government | | | |
| LCFF apportionment | 19,153,643 | 925,020 | 20,078,663 |
| Other State | 3,571,388 | 293,489 | 3,864,877 |
| Local Sources | 468,489 | 87,762 | 556,251 |
| Total | <u>\$ 28,202,142</u> | <u>\$ 2,134,376</u> | <u>\$ 30,336,518</u> |

Note 4 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021, are as follows:

| | Balance July 1, 2020 | Additions | Deductions | Balance June 30, 2021 |
|---|-------------------------|---------------|-----------------|--------------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 6,657,322 | \$ - | \$ - | \$ 6,657,322 |
| Construction in progress | 12,353,820 | 14,882,716 | (24,958,641) | 2,277,895 |
| Total capital assets not being depreciated | 19,011,142 | 14,882,716 | (24,958,641) | 8,935,217 |
| Capital assets being depreciated | | | | |
| Land improvements | 33,210,942 | 87,360 | - | 33,298,302 |
| Buildings and improvements | 209,027,982 | 24,814,406 | - | 233,842,388 |
| Furniture and equipment | 21,717,278 | 1,507,592 | 6,500 | 23,231,370 |
| Total capital assets being depreciated | 263,956,202 | 26,409,358 | 6,500 | 290,372,060 |
| Total capital assets | 282,967,344 | 41,292,074 | (24,952,141) | 299,307,277 |
| Accumulated depreciation | | | | |
| Land improvements | (9,082,677) | (1,454,810) | - | (10,537,487) |
| Buildings and improvements | (63,492,525) | (6,029,608) | - | (69,522,133) |
| Furniture and equipment | (15,176,163) | (1,318,674) | (6,500) | (16,501,337) |
| Total accumulated depreciation | (87,751,365) | (8,803,092) | (6,500) | (96,560,957) |
| Governmental activities capital assets, net | \$ 195,215,979 | \$ 32,488,982 | \$ (24,958,641) | \$ 202,746,320 |

Depreciation expense was charged as a direct expense to governmental functions as follows:

| | |
|---|--------------|
| Governmental Activities | |
| Instruction | \$ 5,369,886 |
| School site administration | 88,031 |
| Home-to-school transportation | 1,232,433 |
| Food services | 264,093 |
| Data processing | 176,062 |
| All other administration | 88,031 |
| Plant services | 1,584,556 |
| Total depreciation expenses governmental activities | \$ 8,803,092 |

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, 2021, between major and non-major governmental funds are as follows:

| <u>Funds</u> | <u>Due from Other Funds</u> | <u>Due to Other Funds</u> |
|------------------------------|---------------------------------|-------------------------------|
| Major Governmental Fund | | |
| General | \$ 340,748 | \$ 53,393 |
| Non-Major Governmental Funds | | |
| Charter Schools | 2,556 | 10,307 |
| Adult Education | - | 28,110 |
| Child Development | 37,903 | 28,389 |
| Cafeteria | 22,672 | 283,680 |
| | <u> </u> | <u> </u> |
| Total | <u>\$ 403,879</u> | <u>\$ 403,879</u> |

Kings Canyon Unified School District

Notes to Financial Statements

June 30, 2021

| | |
|--|-------------------|
| The General Fund owes the Child Development Non-Major Governmental Fund for payroll costs. | \$ 34,117 |
| The General Fund owes the Child Development Non-Major Governmental Fund for COVID leave payroll costs. | 3,786 |
| The General Fund owes the Cafeteria Non-Major Governmental Fund for COVID leave payroll costs. | 12,699 |
| The General Fund owes the Cafeteria Non-Major Governmental Fund for food service costs. | 235 |
| The General Fund owes the Charter School Non-Major Governmental Fund for COVID leave payroll costs. | 2,556 |
| The Charter Schools Non-Major Governmental Fund owes the General Fund for indirect costs. | 1,284 |
| The Charter Schools Non-Major Governmental Fund owes the General Fund for warehouse orders. | 312 |
| The Charter Schools Non-Major Governmental Fund owes the General Fund for payroll costs. | 1,977 |
| The Charter Schools Non-Major Governmental Fund owes the General Fund for transportation costs. | 6,734 |
| The Adult Non-Major Governmental Fund owes the General Fund for indirect costs. | 27,200 |
| The Adult Non-Major Governmental Fund owes the General Fund for payroll costs. | 880 |
| The Adult Non-Major Governmental Fund owes the General Fund for warehouse orders. | 30 |
| The Child Development Non-Major Governmental Fund owes the General Fund for indirect costs. | 17,107 |
| The Child Development Non-Major Governmental Fund owes the General Fund for payroll costs. | 1,544 |
| The Child Development Non-Major Governmental Fund owes the Cafeteria Non-Major Governmental Fund for preschool snacks. | 9,738 |
| The Cafeteria Non-Major Governmental Fund owes the General Fund for indirect costs. | 279,289 |
| The Cafeteria Non-Major Governmental Fund owes the General Fund for an invoice correction. | 4,382 |
| The Cafeteria Non-Major Governmental Fund owes the General Fund for postage. | 9 |
| Total | <u>\$ 403,879</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, 2021, consists of the following:

| | |
|--|----------------------------|
| The General Fund transferred to the Special Reserve for Capital Outlay Projects Non-Major Governmental Fund for capital projects. | \$ 3,000,000 |
| The General Fund transferred to the Cafeteria Non-Major Governmental Fund for operating costs. | <u>1,000,000</u> |
| Total | <u><u>\$ 4,000,000</u></u> |

Note 6 - Accounts Payable

Accounts payable at June 30, 2021, consists of the following:

| | General Fund | Non-Major Governmental Funds | Total |
|-----------------------|-----------------------------|------------------------------------|-----------------------------|
| Vendor payables | \$ 5,107,655 | \$ 1,227,440 | \$ 6,335,095 |
| LCFF apportionment | 9,396,345 | - | 9,396,345 |
| Salaries and benefits | <u>4,177,192</u> | <u>-</u> | <u>4,177,192</u> |
| Total | <u><u>\$ 18,681,192</u></u> | <u><u>\$ 1,227,440</u></u> | <u><u>\$ 19,908,632</u></u> |

Note 7 - Unearned Revenue

Unearned revenue at June 30, 2021, consists of the following:

| | General Fund | Non-Major Governmental Funds | Total |
|------------------------------|----------------------------|------------------------------------|----------------------------|
| Federal financial assistance | \$ 71,761 | \$ - | \$ 71,761 |
| State categorical aid | <u>1,571,071</u> | <u>10,783</u> | <u>1,581,854</u> |
| Total | <u><u>\$ 1,642,832</u></u> | <u><u>\$ 10,783</u></u> | <u><u>\$ 1,653,615</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, 2020 | Additions | Deductions | Balance June 30, 2021 | Due in One Year |
|--------------------------|-------------------------|---------------------|-----------------------|--------------------------|---------------------|
| Long-Term Liabilities | | | | | |
| General obligation bonds | \$ 89,517,777 | \$ 1,446,986 | \$ (2,885,000) | \$ 88,079,763 | \$ 3,050,000 |
| Unamortized debt | | | | | |
| premiums | 3,365,005 | - | (266,585) | 3,098,420 | - |
| Compensated absences | 545,788 | 144,327 | - | 690,115 | - |
| Total | <u>\$ 93,428,570</u> | <u>\$ 1,591,313</u> | <u>\$ (3,151,585)</u> | <u>\$ 91,868,298</u> | <u>\$ 3,050,000</u> |

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

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, 2020 | Interest Accreted | Redeemed | Bonds Outstanding June 30, 2021 |
|-------------------|---------------------------|------------------|-------------------|--------------------------------------|----------------------|-----------------------|---------------------------------------|
| 2020 GORB | | | | | | | |
| 5/12/20 | 8/1/47 | 1.31-1.61 | \$ 17,120,000 | \$ 17,120,000 | \$ - | \$ (225,000) | \$ 16,895,000 |
| 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 | | | | 575,639 | 610,597 | - | 1,186,236 |
| 2016 GORB | | | | | | | |
| 1/21/16 | 8/1/31 | 2.00-5.00 | 14,740,000 | 13,825,000 | - | (535,000) | 13,290,000 |
| 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 | 16,670,000 | - | (80,000) | 16,590,000 |
| 2006 GOB | | | | | | | |
| 11/29/07 | 8/1/32 | 3.95-5.00 | 2,404,967 | 1,716,528 | - | (136,407) | 1,580,121 |
| Accreted interest | | | | 1,764,306 | 155,829 | (133,593) | 1,786,542 |
| 2002 GOB | | | | | | | |
| 7/31/02 | 8/1/27 | 3.00-5.68 | 17,996,488 | 5,127,615 | - | (689,339) | 4,438,276 |
| Accreted interest | | | | 8,610,775 | 680,560 | (1,085,661) | 8,205,674 |
| Total | | | | <u>\$ 89,517,777</u> | <u>\$ 1,446,986</u> | <u>\$ (2,885,000)</u> | <u>\$ 88,079,763</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 |
|-------------------------------|-----------------------|----------------------|------------------------|------------------------|----------------------|
| 2022 | \$ 803,120 | \$ 1,331,880 | \$ 2,135,000 | \$ - | \$ 2,135,000 |
| 2023 | 785,410 | 1,333,356 | 2,118,766 | 116,234 | 2,235,000 |
| 2024 | 769,049 | 1,331,059 | 2,100,108 | 239,892 | 2,340,000 |
| 2025 | 755,345 | 1,274,302 | 2,029,647 | 360,353 | 2,390,000 |
| 2026 | 745,699 | 1,308,284 | 2,053,983 | 501,017 | 2,555,000 |
| 2027-2031 | 1,818,254 | 3,005,296 | 4,823,550 | 1,796,450 | 6,620,000 |
| 2032-2034 | 2,583,007 | 570,745 | 3,153,752 | 2,216,248 | 5,370,000 |
| 2036-2041 | 4,225,239 | 321,476 | 4,546,715 | 4,658,285 | 9,205,000 |
| 2042-2046 | 4,104,388 | 321,110 | 4,425,498 | 6,814,502 | 11,240,000 |
| 2047-2051 | 3,973,000 | 317,840 | 4,290,840 | 9,409,160 | 13,700,000 |
| 2052 | 788,800 | 63,104 | 851,904 | 1,868,096 | 2,720,000 |
| Total | <u>\$ 21,351,311</u> | <u>\$ 11,178,452</u> | <u>\$ 32,529,763</u> | <u>\$ 27,980,237</u> | <u>\$ 60,510,000</u> |

The current interest bonds mature as follows:

| Fiscal Year | Principal | Interest to Maturity | Total |
|-------------|----------------------|-------------------------|----------------------|
| 2022 | \$ 915,000 | \$ 2,136,956 | \$ 3,051,956 |
| 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 |
| 2027-2031 | 11,905,000 | 8,207,061 | 20,112,061 |
| 2032-2036 | 11,245,000 | 5,298,132 | 16,543,132 |
| 2037-2041 | 11,210,000 | 3,650,593 | 14,860,593 |
| 2042-2046 | 12,175,000 | 1,491,947 | 13,666,947 |
| 2047-2048 | 2,655,000 | 92,036 | 2,747,036 |
| Total | <u>\$ 55,550,000</u> | <u>\$ 28,929,379</u> | <u>\$ 84,479,379</u> |

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2021, amounted to \$690,115.

Note 9 - Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2021, the District reported a Net OPEB liability, deferred outflows of resources, and OPEB expense for the following plans:

| OPEB Plan | Net OPEB Liability | Deferred Outflows of Resources | OPEB Expense |
|--|----------------------|--------------------------------|---------------------|
| Retiree Health Plan | \$ 29,893,752 | \$ 4,823,155 | \$ 2,908,365 |
| Medicare Premium Payment (MPP) Program | 662,370 | - | 78,736 |
| Total | <u>\$ 30,556,122</u> | <u>\$ 4,823,155</u> | <u>\$ 2,987,101</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, 2020, the valuation date, the Plan membership consisted of the following:

| | |
|---|--------------|
| Inactive employees or beneficiaries currently receiving benefits payments | 199 |
| Active employees | <u>1,155</u> |
| Total | <u>1,354</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, 2021, the District paid \$1,298,171 in benefits, including implicit subsidy.

Total OPEB Liability of the District

The total OPEB liability of \$29,893,752 as measured as of June 30, 2021 was determined by applying updated procedures to the financial reporting actuarial valuation as of June 30, 2020 and rolling forward the total OPEB liability to June 30, 2021.

Actuarial Assumptions

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

| | |
|-----------------------------|--------------|
| Inflation | 2.75 percent |
| Salary increases | 2.75 percent |
| Discount rate | 2.16 percent |
| Healthcare cost trend rates | 4.00 percent |

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, 2020 valuation were based on the results of an actual experience study as of June 30, 2020.

Changes in the Total OPEB Liability

| | Total OPEB Liability |
|--|-------------------------|
| Balance, June 30, 2020 | \$ 28,633,167 |
| Service cost | 1,809,105 |
| Interest | 635,550 |
| Contributions-employer | (1,298,171) |
| Changes of assumptions or other inputs | 114,101 |
| Net change in total OPEB liability | 1,260,585 |
| Balance, June 30, 2021 | \$ 29,893,752 |

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

Changes in Assumptions - The discount rate decreased from 2.20 percent to 2.16 percent 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:

| Discount Rate | Total OPEB Liability |
|-------------------------------|-------------------------|
| 1% decrease (1.16%) | \$ 32,612,021 |
| Current discount rate (2.16%) | 29,893,752 |
| 1% increase (3.16%) | 27,335,166 |

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:

| Healthcare Cost Trend Rate | Total OPEB Liability |
|---|-------------------------|
| 1% decrease (3.0%) | \$ 25,993,017 |
| Current healthcare cost trend rate (4.0%) | 29,893,752 |
| 1% increase (5.0%) | 34,678,172 |

OPEB Expense and Deferred Outflows of Resources related to OPEB

For the year ended June 30, 2021, the District recognized OPEB expense of \$2,908,365. The deferred outflows 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 (EARS�) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period.

| | Deferred Outflows of Resources |
|--|-----------------------------------|
| Differences between expected and actual experience | \$ 589,869 |
| Changes of assumptions | 4,233,286 |
| Total | <u>\$ 4,823,155</u> |

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

| Year Ended June 30, | Deferred Outflows of Resources |
|------------------------|-----------------------------------|
| 2022 | \$ 463,710 |
| 2023 | 463,710 |
| 2024 | 463,710 |
| 2025 | 463,710 |
| 2026 | 447,254 |
| Thereafter | 2,521,061 |
| Total | <u>\$ 4,823,155</u> |

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, 2019 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, 2021, the District reported a liability of \$662,370 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. 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, 2020 and June 30, 2019, respectively, was 0.1563 percent and 0.1567 percent, resulting in a net decrease in the proportionate share of 0.0004 percent.

For the year ended June 30, 2021, the District recognized OPEB expense of \$78,736.

Actuarial Methods and Assumptions

The June 30, 2020 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total OPEB liability to June 30, 2020, using the assumptions listed in the following table:

| | | |
|---|--|---------------------------------------|
| Measurement Date | June 20, 2020 | June 30, 2019 |
| Valuation Date | June 30, 2019 | June 30, 2018 |
| Experience Study | June 30, 2014 through June 30, 2018 | July 1, 2010 through June 30, 2015 |
| Actuarial Cost Method | Entry age normal | Entry age normal |
| Investment Rate of Return | 2.21% | 3.50% |
| Medicare Part A Premium Cost Trend Rate | 4.50% | 3.70% |
| Medicare Part B Premium Cost Trend Rate | 5.40% | 4.10% |

For the valuation as of June 30, 2019, 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 percent 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 294 or an average of 0.18 percent of the potentially eligible population (159,339).

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, 2020, 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, 2020, is 2.21 percent. 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 2.21 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2020, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 1.29 percent from 3.50 percent as of June 30, 2019.

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 (1.21%) | \$ 732,434 |
| Current discount rate (2.21%) | 662,370 |
| 1% increase (3.21%) | 602,750 |

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 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) | \$ 600,593 |
| Current Medicare costs trend rates (4.50% Part A and 5.40% Part B) | 662,370 |
| 1% increase (5.50% Part A and 6.40% Part B) | 733,486 |

Note 10 - Fund Balances

Fund balances are composed of the following elements:

| | General Fund | Non-Major Governmental Funds | Total |
|------------------------------------|-----------------|------------------------------------|---------------|
| Nonspendable | | | |
| Revolving cash | \$ 150,000 | \$ 650 | \$ 150,650 |
| Stores inventories | 54,683 | 141,516 | 196,199 |
| Total nonspendable | 204,683 | 142,166 | 346,849 |
| Restricted | | | |
| Educational programs | 8,873,047 | 421,339 | 9,294,386 |
| Student activities | - | 521,296 | 521,296 |
| Food service | - | 1,094,741 | 1,094,741 |
| Capital projects | - | 1,945,799 | 1,945,799 |
| Debt services | - | 4,959,979 | 4,959,979 |
| Total restricted | 8,873,047 | 8,943,154 | 17,816,201 |
| Committed | | | |
| Adult education program | - | 502,550 | 502,550 |
| Assigned | | | |
| Other postemployment benefits | 436,311 | - | 436,311 |
| 10% Board Reserve | 14,124,096 | 211,503 | 14,335,599 |
| Lottery | 593,576 | 29,811 | 623,387 |
| Class PD | - | 283 | 283 |
| In person learning | - | 42,998 | 42,998 |
| Expanded learning | - | 146,116 | 146,116 |
| Donation | - | 11,496 | 11,496 |
| Instructional resources | - | 2,764,980 | 2,764,980 |
| Capital projects | - | 5,444,142 | 5,444,142 |
| Total assigned | 15,153,983 | 8,651,329 | 23,805,312 |
| Unassigned | | | |
| Reserve for economic uncertainties | 1,231,067 | - | 1,231,067 |
| Remaining unassigned | 25,680,408 | - | 25,680,408 |
| Total unassigned | 26,911,475 | - | 26,911,475 |
| Total | \$ 51,143,188 | \$ 18,239,199 | \$ 69,382,387 |

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

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2021, 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 2021, 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, 2021, 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 | \$ 86,927,494 | \$ 22,612,634 | \$ 2,689,639 | \$ 12,058,989 |
| CalPERS | 42,239,689 | 7,756,239 | 866,599 | 8,670,364 |
| Total | <u>\$ 129,167,183</u> | <u>\$ 30,368,873</u> | <u>\$ 3,556,238</u> | <u>\$ 20,729,353</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, 2019, 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 percent 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, 2021, are summarized as follows:

| | STRP Defined Benefit Program | |
|---|-----------------------------------|--------------------------------|
| | On or before December 31, 2012 | On or after January 1, 2013 |
| Hire date | 2% at 60 | 2% at 62 |
| Benefit formula | 5 years of service | 5 years of service |
| Benefit vesting schedule | Monthly for life | Monthly for life |
| Benefit payments | 60 | 62 |
| Retirement age | 2.0% - 2.4% | 2.0% - 2.4% |
| Monthly benefits as a percentage of eligible compensation | 10.25% | 10.205% |
| Required employee contribution rate | 16.15% | 16.15% |
| Required employer contribution rate | 10.328% | 10.328% |
| Required state contribution rate | | |

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 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the District's total contributions were \$8,467,294.

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

At June 30, 2021, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

| | |
|--|-----------------------|
| Total net pension liability, including State share | |
| Proportionate share of net pension liability | \$ 86,927,494 |
| State's proportionate share of the net pension liability | 44,811,134 |
| Total | <u>\$ 131,738,628</u> |

The net pension liability was measured as of June 30, 2020. 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, 2020 and June 30, 2019, respectively was 0.0897 percent and 0.0886 percent, resulting in a net increase in the proportionate share of 0.0011 percent.

For the year ended June 30, 2021, the District recognized pension expense of \$12,058,989. In addition, the District recognized pension expense and revenue of \$6,277,600 for support provided by the State.

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date | \$ 8,467,294 | \$ - |
| Change in proportion and differences between contributions made and District's proportionate share of contributions | 3,450,394 | 238,135 |
| Differences between projected and actual earnings on pension plan investments | 2,064,897 | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 153,387 | 2,451,504 |
| Changes of assumptions | 8,476,662 | - |
| Total | <u>\$ 22,612,634</u> | <u>\$ 2,689,639</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 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 of Resources |
|------------------------|-----------------------------------|
| 2022 | \$ (1,259,989) |
| 2023 | 703,548 |
| 2024 | 1,403,658 |
| 2025 | 1,217,680 |
| Total | <u>\$ 2,064,897</u> |

The deferred outflows/(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 |
|------------------------|--|
| 2022 | \$ 2,607,905 |
| 2023 | 2,944,230 |
| 2024 | 3,027,163 |
| 2025 | 438,280 |
| 2026 | 286,526 |
| Thereafter | 89,700 |
| Total | <u>\$ 9,393,804</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, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---------------------------|------------------------------------|
| Valuation date | June 30, 2019 |
| Measurement date | June 30, 2020 |
| 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 percent 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 (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the

board in January 2020 in conjunction with the most recent experience study. For each future valuation, CalSTRS 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, 2020, 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 percent. 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 (7.10 percent) and assuming 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%) | \$ 131,335,335 |
| Current discount rate (7.10%) | 86,927,494 |
| 1% increase (8.10%) | 50,262,568 |

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, 2019 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, 2021, 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 | 20.70% | 20.70% |

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 the 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, 2021, are presented above and the total District contributions were \$4,144,273.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$42,239,689. The net pension liability was measured as of June 30, 2020. 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, 2020 and June 30, 2019, respectively was 0.1377 percent and 0.1373 percent, resulting in a net increase in the proportionate share of 0.0004 percent.

For the year ended June 30, 2021, the District recognized pension expense of \$8,670,364. At June 30, 2021, 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 | \$ 4,144,273 | \$ - |
| Change in proportion and differences between contributions made and District's proportionate share of contributions | 482,816 | 866,599 |
| Differences between projected and actual earnings on pension plan investments | 879,296 | - |
| Differences between expected and actual experience in the measurement of the total pension liability | 2,094,959 | - |
| Changes of assumptions | 154,895 | - |
| | <u>\$ 7,756,239</u> | <u>\$ 866,599</u> |
| Total | <u>\$ 7,756,239</u> | <u>\$ 866,599</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 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 of Resources |
|------------------------|-----------------------------------|
| 2022 | \$ (329,051) |
| 2023 | 293,502 |
| 2024 | 510,154 |
| 2025 | 404,691 |
| | <u>\$ 879,296</u> |
| Total | <u>\$ 879,296</u> |

The deferred outflows/(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, | Outflows/(Inflows) of Resources |
|------------------------|------------------------------------|
| 2022 | \$ 1,471,103 |
| 2023 | 475,087 |
| 2024 | (67,357) |
| 2025 | (12,762) |
| Total | <u>\$ 1,866,071</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, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following methods and assumptions, applied to all prior periods included in the measurement:

| | |
|---------------------------|------------------------------------|
| Valuation date | June 30, 2019 |
| Measurement date | June 30, 2020 |
| 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 percent 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 percent. 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%) | \$ 60,727,256 |
| Current discount rate (7.15%) | 42,239,689 |
| 1% increase (8.15%) | 26,895,937 |

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 \$5,701,309 (10.328 percent 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, 2021.

Litigation

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

Construction Commitments

As of June 30, 2021, the District had the following commitments with respect to the unfinished capital projects:

| <u>Capital Projects</u> | <u>Remaining Construction Commitment</u> | <u>Expected Date of Completion</u> |
|---|--|--|
| RHS Childcare, Adult School, Ceramic Building | \$ 70,553 | October 2021 |
| RHS Field House, Weight Room | 356,061 | October 2021 |
| RHS Baseball/Soccer Fields | 351,022 | September 2021 |
| RHS Trash Enclosure | 263,445 | September 2021 |
| RHS Softball Fields | 765,000 | April 2022 |
| RHS Fencing Project | 89,915 | September 2021 |
| Guidance Learning Center Modular Building | 107,580 | September 2021 |
| Total | <u>\$ 2,003,576</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, 2021, the District made payments of \$12,562,606 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, 2021, the District made payments of \$1,215,807 to 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, 2021, the District made payments of \$519,764 to SIA for property and liability insurance coverage.

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

As of July 1, 2020, the Kings Canyon Unified School District adopted GASB Statement No. 84, *Fiduciary Activities* (GASB 84). As a result of the implementation of GASB 84, the District has reclassified its associated student body activity previously reported as fiduciary funds to a governmental fund – Student Activity Fund. The following table describes the effects of the implementation on beginning fund balance/net position.

| | Non-Major Governmental Funds | Total Governmental Funds |
|---|------------------------------------|--------------------------------|
| Beginning Fund Balance previously reported at June 30, 2020 | \$ 23,021,089 | \$ 54,858,193 |
| Reclassification of student activity funds from agency funds to a special revenue fund | 562,318 | 562,318 |
| Fund Balance - Beginning as Restated July 1, 2020 | <u>\$ 23,583,407</u> | <u>\$ 55,420,511</u> |
| Governmental Activities Financial Statements | | |
| Beginning Governmental Activities Net Position previously reported at June 30, 2020 | | \$ 40,488,203 |
| Reclassification of student activity funds from agency funds to a special revenue fund | | 562,318 |
| Net Position - Beginning as Restated July 1, 2020 | | <u>\$ 41,050,521</u> |



Required Supplementary Information
June 30, 2021

Kings Canyon Unified School District

Kings Canyon Unified School District
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2021

| | Budgeted Amounts | | Actual | Variances - Positive (Negative) |
|--|----------------------|----------------------|----------------------|---------------------------------------|
| | Original | Final | | Final to Actual |
| Revenues | | | | |
| Local control funding formula | \$ 99,484,206 | \$ 107,786,834 | \$ 108,707,003 | \$ 920,169 |
| Federal sources | 7,286,502 | 42,914,262 | 25,600,330 | (17,313,932) |
| Other State sources | 11,364,770 | 24,385,481 | 18,918,467 | (5,467,014) |
| Other local sources | 6,019,923 | 7,047,617 | 7,321,245 | 273,628 |
| Total revenues ¹ | 124,155,401 | 182,134,194 | 160,547,045 | (21,587,149) |
| Expenditures | | | | |
| Current | | | | |
| Certificated salaries | 50,991,602 | 54,493,176 | 52,879,090 | 1,614,086 |
| Classified salaries | 19,610,283 | 18,961,614 | 17,670,847 | 1,290,767 |
| Employee benefits | 32,946,862 | 36,493,410 | 32,701,941 | 3,791,469 |
| Books and supplies | 6,526,478 | 15,262,962 | 12,453,421 | 2,809,541 |
| Services and operating expenditures | 15,602,907 | 21,213,388 | 16,456,099 | 4,757,289 |
| Other outgo | 1,129,341 | 1,273,823 | 658,767 | 615,056 |
| Capital outlay | 800,414 | 5,991,852 | 4,420,796 | 1,571,056 |
| Total expenditures ¹ | 127,607,887 | 153,690,225 | 137,240,961 | 16,449,264 |
| Excess (Deficiency) of Revenues Over Expenditures | (3,452,486) | 28,443,969 | 23,306,084 | (5,137,885) |
| Other Financing Uses | | | | |
| Transfers out | (1,500,000) | (4,000,000) | (4,000,000) | - |
| Net Change in Fund Balances | (4,952,486) | 24,443,969 | 19,306,084 | (5,137,885) |
| Fund Balance - Beginning | 31,837,104 | 31,837,104 | 31,837,104 | - |
| Fund Balance - Ending | \$ 26,884,618 | \$ 56,281,073 | \$ 51,143,188 | \$ (5,137,885) |

¹ 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, 2021

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

¹ 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, 2021

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

¹ 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, 2021

| | 2021 | 2020 | 2019 | 2018 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| CalSTRS | | | | |
| Proportion of the net pension liability | 0.0897% | 0.0886% | 0.0851% | 0.0836% |
| Proportionate share of the net pension liability | \$ 86,927,494 | \$ 80,014,382 | \$ 78,186,294 | \$ 77,305,980 |
| State's proportionate share of the net pension liability | 44,811,134 | 43,653,187 | 44,765,310 | 45,733,565 |
| Total | <u>\$ 131,738,628</u> | <u>\$ 123,667,569</u> | <u>\$ 122,951,604</u> | <u>\$ 123,039,545</u> |
| Covered payroll | <u>\$ 49,194,602</u> | <u>\$ 48,337,967</u> | <u>\$ 46,635,218</u> | <u>\$ 44,519,141</u> |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 176.70% | 165.53% | 167.66% | 173.65% |
| Plan fiduciary net position as a percentage of the total pension liability | 72% | 73% | 71% | 69% |
| Measurement Date | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 |
| CalPERS | | | | |
| Proportion of the net pension liability | 0.1377% | 0.1373% | 0.1349% | 0.1306% |
| Proportionate share of the net pension liability | \$ 42,239,689 | \$ 40,014,167 | \$ 35,957,046 | \$ 31,170,711 |
| Covered payroll | <u>\$ 19,845,799</u> | <u>\$ 19,060,165</u> | <u>\$ 17,785,281</u> | <u>\$ 16,656,185</u> |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 212.84% | 209.94% | 202.17% | 187.14% |
| Plan fiduciary net position as a percentage of the total pension liability | 70% | 70% | 71% | 72% |
| Measurement Date | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 |

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, 2021

| | 2017 | 2016 | 2015 |
|--|-----------------------|----------------------|----------------------|
| CalSTRS | | | |
| Proportion of the net pension liability | 0.0838% | 0.0831% | 0.0847% |
| Proportionate share of the net pension liability | \$ 67,788,614 | \$ 55,971,347 | \$ 49,514,741 |
| State's proportionate share of the net pension liability | 38,590,849 | 29,602,672 | 29,899,139 |
| Total | <u>\$ 106,379,463</u> | <u>\$ 85,574,019</u> | <u>\$ 79,413,880</u> |
| Covered payroll | <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 | 160.47% | 140.20% | 130.51% |
| Plan fiduciary net position as a percentage of the total pension liability | 70% | 74% | 77% |
| Measurement Date | June 30, 2016 | June 30, 2015 | June 30, 2014 |
| CalPERS | | | |
| Proportion of the net pension liability | 0.1302% | 0.1333% | 0.1277% |
| Proportionate share of the net pension liability | \$ 25,706,149 | \$ 19,649,573 | \$ 14,493,258 |
| Covered payroll | <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 | 164.77% | 133.50% | 107.96% |
| Plan fiduciary net position as a percentage of the total pension liability | 74% | 79% | 83% |
| Measurement Date | 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 Contributions
Year Ended June 30, 2021

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|----------------------|----------------------|----------------------|----------------------|
| CalSTRS | | | | |
| Contractually required contribution | \$ 8,467,294 | \$ 8,412,277 | \$ 7,869,421 | \$ 6,729,462 |
| Less contributions in relation to the contractually required contribution | <u>8,467,294</u> | <u>8,412,277</u> | <u>7,869,421</u> | <u>6,729,462</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | <u>\$ 52,429,065</u> | <u>\$ 49,194,602</u> | <u>\$ 48,337,967</u> | <u>\$ 46,635,218</u> |
| Contributions as a percentage of covered payroll | <u>16.15%</u> | <u>17.10%</u> | <u>16.28%</u> | <u>14.43%</u> |
| CalPERS | | | | |
| Contractually required contribution | \$ 4,144,273 | \$ 3,913,790 | \$ 3,442,647 | \$ 2,762,232 |
| Less contributions in relation to the contractually required contribution | <u>4,144,273</u> | <u>3,913,790</u> | <u>3,442,647</u> | <u>2,762,232</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | <u>\$ 20,020,643</u> | <u>\$ 19,845,799</u> | <u>\$ 19,060,165</u> | <u>\$ 17,785,281</u> |
| Contributions as a percentage of covered payroll | <u>20.700%</u> | <u>19.7210%</u> | <u>18.0620%</u> | <u>15.5310%</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 Contributions
Year Ended June 30, 2021

| | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|----------------------|----------------------|----------------------|
| CalSTRS | | | |
| Contractually required contribution | \$ 5,600,508 | \$ 4,532,627 | \$ 3,545,168 |
| Less contributions in relation to the contractually required contribution | <u>5,600,508</u> | <u>4,532,627</u> | <u>3,545,168</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | <u>\$ 44,519,141</u> | <u>\$ 42,242,563</u> | <u>\$ 39,923,063</u> |
| Contributions as a percentage of covered payroll | <u>12.58%</u> | <u>10.73%</u> | <u>8.88%</u> |
| CalPERS | | | |
| Contractually required contribution | \$ 2,313,211 | \$ 1,848,280 | \$ 1,732,523 |
| Less contributions in relation to the contractually required contribution | <u>2,313,211</u> | <u>1,848,280</u> | <u>1,732,523</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | <u>\$ 16,656,185</u> | <u>\$ 15,601,249</u> | <u>\$ 14,718,571</u> |
| Contributions as a percentage of covered payroll | <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 decreased from 2.20 percent to 2.16 percent 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 plans' 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 3.50 percent to 2.21 percent 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 District 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, 2021

Kings Canyon Unified School District

Kings Canyon Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

| 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] | \$ 74,300 |
| U.S. Department of Treasury Passed Through California Department of Education COVID-19, Coronavirus Relief Fund (CRF) | 21.019 | 25516 | 9,764,302 |
| 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 | 1,509,866 |
| Special Education Grants to States - Private School ISP | 84.027 | 10115 | 6,942 |
| Subtotal CFDA 84.027 programs | | | 1,516,808 |
| Special Education Preschool Grants - Part B, Section 619 | 84.173 | 13430 | 44,386 |
| Total Special Education Cluster | | | 1,561,194 |
| Adult Education - Basic Grants to States | 84.002 | 14508 | 43,929 |
| Adult Education - Basic Grants to States | 84.002 | 13978 | 117,150 |
| Subtotal CFDA 84.002 programs | | | 161,079 |
| Migrant Education State Grant Program | 84.011 | 14326 | 167,894 |
| Migrant Education State Grant Program - Summer | 84.011 | 10005 | 81,954 |
| Subtotal CFDA 84.011 programs | | | 249,848 |
| COVID-19, Child Nutrition CARES ACT Supplemental Meal Reimbursement | 84.425 | 15535 | 146,333 |
| COVID-19, Governor's Emergency Education Relief Fund (GEER) | 84.425C | 15517 | 350,529 |
| COVID-19, Elementary and Secondary School Emergency Relief Fund I (ESSER I) | 84.425D | 15536 | 4,137,965 |
| COVID-19, Elementary and Secondary School Emergency Relief Fund II (ESSER II) | 84.425D | 15547 | 2,547,646 |
| Subtotal 84.425 programs | | | 7,182,473 |
| Title I Grants to Local Educational Agencies | 84.010 | 14329 | 5,019,527 |
| ESEA: ESSA School Improvement (CSI) Funding for LEAs | 84.010 | 15438 | 335,449 |
| Subtotal CFDA 84.010 programs | | | 5,354,976 |

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

[2] Pass-Through Entity Identifying Number not available

See Notes to Supplementary Information

Kings Canyon Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

| 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 | | | |
| Career and Technical Education - Basic Grants to States | 84.048 | 14894 | 124,659 |
| English Language Acquisition State Grants - LEP | 84.365 | 14346 | 345,348 |
| Supporting Effective Instruction State Grants - Teacher Quality | 84.367 | 14341 | 604,339 |
| Student Support and Academic Enrichment Program | 84.424 | 15396 | 458,300 |
| Total U.S. Department of Education | | | <u>16,042,216</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 | 3,453 |
| U.S. Department of Agriculture | | | |
| Passed Through California Department of Education | | | |
| Forest Service Schools and Roads Cluster | | | |
| Forest Reserve | 10.665 | 10044 | 201,926 |
| Fresh Fruit and Vegetable Program | 10.582 | 14968 | 60,211 |
| Child Nutrition Cluster | | | |
| National School Lunch Program | 10.555 | 13391 | 326,919 |
| National School Lunch Program - Meal Supplements | 10.555 | 13396 | 161,522 |
| National School Lunch Program - Commodity Supplemental Food | 10.555 | 13391 | 306,031 |
| Subtotal CFDA 10.555 programs | | | <u>794,472</u> |
| School Breakfast Program - Especially Needy Breakfast | 10.553 | 13526 | 198,671 |
| National School Lunch Program - Summer Food Program | 10.559 | 13004 | 2,885,356 |
| Total Child Nutrition Cluster | | | <u>3,878,499</u> |
| Total U.S. Department of Agriculture | | | <u>4,140,636</u> |
| Total Federal Financial Assistance | | | <u><u>\$30,024,907</u></u> |

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 Instructional Time

Year Ended June 30, 2021

Kings Canyon Unified School District

| Grade Level | Number of Actual Days | | Total Days Offered | Status |
|---------------|-----------------------|---------------------|--------------------|----------|
| | Traditional Calendar | Multitrack Calendar | | |
| Kindergarten | 180 | N/A | 180 | Complied |
| Grades 1 - 3 | | | | |
| Grade 1 | 180 | N/A | 180 | Complied |
| Grade 2 | 180 | N/A | 180 | Complied |
| Grade 3 | 180 | N/A | 180 | Complied |
| Grades 4 - 8 | | | | |
| Grade 4 | 180 | N/A | 180 | Complied |
| Grade 5 | 180 | N/A | 180 | Complied |
| Grade 6 | 180 | N/A | 180 | Complied |
| Grade 7 | 180 | N/A | 180 | Complied |
| Grade 8 | 180 | N/A | 180 | Complied |
| Grades 9 - 12 | | | | |
| Grade 9 | 180 | N/A | 180 | Complied |
| Grade 10 | 180 | N/A | 180 | Complied |
| Grade 11 | 180 | N/A | 180 | Complied |
| Grade 12 | 180 | N/A | 180 | Complied |

Reedley Middle College High School Charter School

| Grade Level | Number of Actual Days | | Total Days Offered | Status |
|---------------|-----------------------|---------------------|--------------------|----------|
| | Traditional Calendar | Multitrack Calendar | | |
| Grades 9 - 12 | | | | |
| Grade 9 | 180 | N/A | 180 | Complied |
| Grade 10 | 180 | N/A | 180 | Complied |
| Grade 11 | 180 | N/A | 180 | Complied |
| Grade 12 | 180 | N/A | 180 | Complied |

Kings Canyon Unified School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2021

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

| | <u>Charter Schools Fund</u> |
|--|---------------------------------|
| Fund Balance | |
| Balance, June 30, 2021, Unaudited Actuals | \$ 2,493,670 |
| Increase in | |
| Accounts receivable | <u>925,020</u> |
| Balance, June 30, 2021, Audited Financial Statements | <u><u>\$ 3,418,690</u></u> |

Kings Canyon Unified School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2021

| | (Budget) 2022 ¹ | 2021 | 2020 | 2019 |
|---|-------------------------------|-----------------------|-----------------------|-----------------------|
| General Fund ³ | | | | |
| Revenues | \$ 198,151,315 | \$ 160,535,701 | \$ 134,827,560 | \$ 133,809,522 |
| Other sources | - | - | 1,333 | - |
| Total Revenues and Other Sources | <u>198,151,315</u> | <u>160,535,701</u> | <u>134,828,893</u> | <u>133,809,522</u> |
| Expenditures | 201,225,123 | 137,240,961 | 127,351,344 | 127,660,527 |
| Other uses and transfers out | <u>10,000,000</u> | <u>4,000,000</u> | <u>3,500,000</u> | <u>-</u> |
| Total Expenditures and Other Uses | <u>211,225,123</u> | <u>141,240,961</u> | <u>130,851,344</u> | <u>127,660,527</u> |
| Increase/(Decrease) in Fund Balance | <u>(13,073,808)</u> | <u>19,294,740</u> | <u>3,977,549</u> | <u>6,148,995</u> |
| Ending Fund Balance | <u>\$ 37,633,069</u> | <u>\$ 50,706,877</u> | <u>\$ 31,412,137</u> | <u>\$ 27,434,588</u> |
| Available Reserves ^{2, 4} | <u>\$ 31,172,731</u> | <u>\$ 26,911,475</u> | <u>\$ 27,515,928</u> | <u>\$ 20,674,753</u> |
| Available Reserves as a Percentage of Total Outgo ⁴ | <u>14.76%</u> | <u>19.05%</u> | <u>21.03%</u> | <u>16.70%</u> |
| Long-Term Liabilities | <u>Not Available</u> | <u>\$ 251,591,603</u> | <u>\$ 242,673,920</u> | <u>\$ 228,059,436</u> |
| Average Daily Attendance at P-2 | <u>9,158</u> | <u>9,158</u> | <u>9,158</u> | <u>9,220</u> |

The General Fund balance has increased by \$23,272,289 over the past two years. The fiscal year 2021-2022 budget projects a decrease of \$13,073,808 (25.8 percent). 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 each of the past two years but anticipates incurring an operating deficit during the 2021-2022 fiscal year. Total long-term liabilities have increased by \$23,532,167 over the past two years mostly due to the issuance of general obligation bonds and changes in the net pension obligation.

Average daily attendance has decreased by 62 over the past two years. No change in ADA is anticipated during fiscal year 2021-2022.

¹ Budget 2022 is included for analytical purposes only and has not been subjected to audit.

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

³ Excludes charter schools ADA.

⁴ 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.

Kings Canyon Unified School District
Schedule of Charter Schools
Year Ended June 30, 2021

| <u>Name of Charter School</u> | <u>Charter Number</u> | <u>Included in Audit Report</u> |
|-------------------------------|---------------------------|-------------------------------------|
| Dunlap Leadership Academy | 1074 | Yes |
| Reedley Middle College High | 1513 | Yes |

Kings Canyon Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2021

| | Student Activities Fund | Charter Schools Fund | Adult Education Fund | Child Development Fund | Cafeteria Fund | Capital Facilities Fund | County School Facilities Fund | Special Reserve Fund for Capital Outlay Projects | Bond Interest and Redemption Fund | Total Non-Major Governmental Funds |
|--|-------------------------------|-------------------------|----------------------------|------------------------------|---------------------|-------------------------------|-------------------------------------|--|--|---|
| Assets | | | | | | | | | | |
| Deposits and investments | \$ 521,296 | \$ 2,533,498 | \$ 347,893 | \$ 209,638 | \$ 764,230 | \$ 1,655,165 | \$ 277,515 | \$ 6,229,687 | \$ 4,949,963 | \$ 17,488,885 |
| Receivables | - | 983,310 | 259,896 | 4,578 | 832,666 | 9,514 | 3,563 | 30,833 | 10,016 | 2,134,376 |
| Due from other funds | - | 2,556 | - | 37,903 | 22,672 | - | - | - | - | 63,131 |
| Stores inventories | - | - | - | - | 141,516 | - | - | - | - | 141,516 |
| Total assets | \$ 521,296 | \$ 3,519,364 | \$ 607,789 | \$ 252,119 | \$ 1,761,084 | \$ 1,664,679 | \$ 281,078 | \$ 6,260,520 | \$ 4,959,979 | \$ 19,827,908 |
| Liabilities and Fund Balances | | | | | | | | | | |
| Liabilities | | | | | | | | | | |
| Accounts payable | \$ - | \$ 90,367 | \$ 77,129 | \$ 3,111 | \$ 240,497 | \$ - | \$ (42) | \$ 816,378 | \$ - | \$ 1,227,440 |
| Due to other funds | - | 10,307 | 28,110 | 28,389 | 283,680 | - | - | - | - | 350,486 |
| Unearned revenue | - | - | - | 10,783 | - | - | - | - | - | 10,783 |
| Total liabilities | - | 100,674 | 105,239 | 42,283 | 524,177 | - | (42) | 816,378 | - | 1,588,709 |
| Fund Balances | | | | | | | | | | |
| Nonspendable | - | - | - | - | 142,166 | - | - | - | - | 142,166 |
| Restricted | 521,296 | 211,503 | - | 209,836 | 1,094,741 | 1,664,679 | 281,120 | - | 4,959,979 | 8,943,154 |
| Committed | - | - | 502,550 | - | - | - | - | - | - | 502,550 |
| Assigned | - | 3,207,187 | - | - | - | - | - | 5,444,142 | - | 8,651,329 |
| Total fund balances | 521,296 | 3,418,690 | 502,550 | 209,836 | 1,236,907 | 1,664,679 | 281,120 | 5,444,142 | 4,959,979 | 18,239,199 |
| Total liabilities and fund balances | \$ 521,296 | \$ 3,519,364 | \$ 607,789 | \$ 252,119 | \$ 1,761,084 | \$ 1,664,679 | \$ 281,078 | \$ 6,260,520 | \$ 4,959,979 | \$ 19,827,908 |

Kings Canyon Unified School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds
Year Ended June 30, 2021

| | Student Activities Fund | Charter Schools Fund | Adult Education Fund | Child Development Fund | Cafeteria Fund | Capital Facilities Fund | County School Facilities Fund | Special Reserve Fund for Capital Outlay Projects | Bond Interest and Redemption Fund | Total Non-Major Governmental Funds |
|---|-------------------------------|-------------------------|----------------------------|------------------------------|-------------------|-------------------------------|-------------------------------------|--|--|---|
| Revenues | | | | | | | | | | |
| Local control funding formula | \$ - | \$ 3,290,362 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,290,362 |
| Federal sources | - | 175,003 | 161,079 | 96,469 | 4,085,043 | - | - | - | - | 4,517,594 |
| Other State sources | - | 386,875 | 1,136,291 | 1,555,862 | 318,379 | - | - | - | 39,236 | 3,436,643 |
| Other local sources | 252,928 | 151,220 | 9,182 | 17,442 | 88,754 | 2,027,289 | 23,670 | 667,926 | 5,353,130 | 8,591,541 |
| Total revenues | 252,928 | 4,003,460 | 1,306,552 | 1,669,773 | 4,492,176 | 2,027,289 | 23,670 | 667,926 | 5,392,366 | 19,836,140 |
| Expenditures | | | | | | | | | | |
| Current | | | | | | | | | | |
| Instruction | - | 1,567,381 | 480,521 | 1,460,963 | - | - | - | - | - | 3,508,865 |
| Instruction-related activities | | | | | | | | | | |
| Supervision of instruction | - | 39,847 | - | - | - | - | - | - | - | 39,847 |
| Instructional library, media, and technology | - | - | 12,723 | - | - | - | - | - | - | 12,723 |
| School site administration | - | 230,950 | 411,147 | 47,583 | - | - | - | - | - | 689,680 |
| Pupil services | | | | | | | | | | |
| Food services | - | - | - | - | 5,447,947 | - | - | - | - | 5,447,947 |
| All other pupil services | - | 154,982 | - | - | - | - | - | - | - | 154,982 |
| Administration | | | | | | | | | | |
| All other administration | - | 1,284 | 27,200 | 73,313 | 279,289 | - | - | - | - | 381,086 |
| Plant services | - | 99,821 | 76,467 | - | 494,373 | - | - | 337,478 | - | 1,008,139 |
| Ancillary services | 293,950 | 36,051 | - | - | - | - | - | - | - | 330,001 |
| Facility acquisition and construction | - | - | 207,577 | - | - | 1,655,996 | 1,919,261 | 8,943,808 | - | 12,726,642 |
| Debt service | | | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - | 2,885,000 | 2,885,000 |
| Interest and other | - | - | - | - | - | - | - | - | 1,995,436 | 1,995,436 |
| Total expenditures | 293,950 | 2,130,316 | 1,215,635 | 1,581,859 | 6,221,609 | 1,655,996 | 1,919,261 | 9,281,286 | 4,880,436 | 29,180,348 |

Kings Canyon Unified School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds

Year Ended June 30, 2021

| | Student Activities Fund | Charter Schools Fund | Adult Education Fund | Child Development Fund | Cafeteria Fund | Capital Facilities Fund | County School Facilities Fund | Special Reserve Fund for Capital Outlay Projects | Bond Interest and Redemption Fund | Total Non-Major Governmental Funds |
|--|-------------------------------|-------------------------|----------------------------|------------------------------|---------------------|-------------------------------|-------------------------------------|--|--|---|
| Excess (Deficiency) of Revenues Over Expenditures | (41,022) | 1,873,144 | 90,917 | 87,914 | (1,729,433) | 371,293 | (1,895,591) | (8,613,360) | 511,930 | (9,344,208) |
| Other Financing Sources Transfers in | - | - | - | - | 1,000,000 | - | - | 3,000,000 | - | 4,000,000 |
| Net Change in Fund Balances | (41,022) | 1,873,144 | 90,917 | 87,914 | (729,433) | 371,293 | (1,895,591) | (5,613,360) | 511,930 | (5,344,208) |
| Fund Balance - Beginning, as Restated | 562,318 | 1,545,546 | 411,633 | 121,922 | 1,966,340 | 1,293,386 | 2,176,711 | 11,057,502 | 4,448,049 | 23,583,407 |
| Fund Balance - Ending | <u>\$ 521,296</u> | <u>\$ 3,418,690</u> | <u>\$ 502,550</u> | <u>\$ 209,836</u> | <u>\$ 1,236,907</u> | <u>\$ 1,664,679</u> | <u>\$ 281,120</u> | <u>\$ 5,444,142</u> | <u>\$ 4,959,979</u> | <u>\$ 18,239,199</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, 2021. 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, 2021, the District had food commodities totaling \$306,031 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 primarily of funds that in the previous period were recorded as revenues but were unspent as reflected below:

| Description | Federal Financial Assistance Listing/Federal CFDA Number | Amount |
|--|---|-----------------------------|
| Total Federal Revenues reported on the financial statements | | \$ 30,117,924 |
| Child Development Coronavirus Response and Relief Supplemental Appropriations (CRRSA) | 93.575 | <u>(93,017)</u> |
| Total Schedule of Expenditures of Federal Awards | | <u><u>\$ 30,024,907</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 Instructional Time

This schedule presents information on the number of instructional days offered by the District and whether the District complied with the provisions of *Education Code* Section 43504.

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

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances is 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, 2021

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, major fund, and the aggregate remaining fund information of Kings Canyon Unified School District, as of and for the year ended June 30, 2021, 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 March 11, 2022.

Emphasis of Matter – Change in Accounting Principle

As discussed in Notes 1 and 15 to the financial statements, Kings Canyon Unified School District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. Our opinions are not modified with respect to this matter.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of financial statement findings as item 2021-001 that we consider to be a material weakness.

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*.

Response to Finding

The Kings Canyon Unified School District's response to the finding identified in our audit is described in the accompanying schedule of financial statement findings. Kings Canyon Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
March 11, 2022



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

We have audited Kings Canyon Unified School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Kings Canyon Unified School District's major federal programs for the year ended June 30, 2021. 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.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Kings Canyon Unified School District's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

Fresno, California
March 11, 2022



Independent Auditor's Report on State Compliance

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

Report on State Compliance

We have audited Kings Canyon Unified School District's (the District) compliance with the types of compliance requirements described in the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2021.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified in the table below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with laws and regulations applicable to the following items:

| | <u>Procedures Performed</u> |
|---|---------------------------------|
| LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS | |
| Attendance and Distance Learning | Yes |
| Teacher Certification and Misassignments | Yes |
| Kindergarten Continuance | 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 |
| K-3 Grade Span Adjustment | Yes |
| Apprenticeship: Related and Supplemental Instruction | No (see below) |
| Comprehensive School Safety Plan | Yes |
| District of Choice | No (see below) |
| SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS | |
| California Clean Energy Jobs Act | No (see below) |
| Proper Expenditure of Education Protection Account Funds | Yes |
| Unduplicated Local Control Funding Formula Pupil Counts | Yes |
| Independent Study - Course Based | No (see below) |
| CHARTER SCHOOLS | |
| Attendance | Yes |
| Mode of Instruction | Yes |
| Nonclassroom-Based Instruction/Independent Study | Yes |
| Determination of Funding for Nonclassroom-Based Instruction | 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.

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.

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.

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

Unmodified Opinion

In our opinion, Kings Canyon Unified School District complied, in all material respects, with the laws and regulations of the state programs referred to above for the year ended June 30, 2021.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2020-2021 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
March 11, 2022



Schedule of Findings and Questioned Costs
June 30, 2021

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> |
|--|--|
| Coronavirus Relief Fund | 21.019 |
| Child Nutrition COVID CARES Act Supplemental Meal Reimbursement | 84.425 |
| COVID-19, Governor's Emergency Education Relief Fund | 84.425C |
| COVID-19, Elementary and Secondary Education Relief Fund I (ESSER I) | 84.425D |
| COVID-19, Elementary and Secondary Education Relief Fund II (ESSER II) | 84.425D |
| Child Nutrition Cluster | 10.553, 10.555, 10.559 |
| Dollar threshold used to distinguish between type A and type B programs: | \$ 900,747 |
| Auditee qualified as low-risk auditee? | Yes |

State Compliance

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

The following finding represents a material weakness related to the financial statements that is 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

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 mention 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.

Corrective Action Plan and Views of Responsible Officials

The District will ensure someone other than the preparer reviews the closing calculations of the LCFF funding worksheets and reviews specific fiscal conditions, such as funding deferrals, to ensure those are properly accounted for.

None reported.

None reported.

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.

State Compliance Findings

2020-001 40000

Kings Canyon Joint Unified School District

Unduplicated Local Control Funding Formula Pupil Count

Criteria

With the Local Control Funding Formula, school districts receive supplemental funding known as the Supplement Grant and Concentration Grant. The amount of funding received is generated by the number of students who are either English Learners (EL) or participants in the Free/Reduced meal program in accordance with *Educational Code* Sections 2574(b)(3)(C), 42238.02(b)(3)(b), and 41020.

Condition

During the audit of the unduplicated local control funding formula pupil count, numerous pupils were incorrectly reported as free/reduced on the CalPADS report.

Questioned Cost

There is an estimated questioned cost for the District's revenue is a reduction of \$262,260. The estimated question costs for the charter schools' revenue is a reduction of \$6,359 for Dunlap Leadership Academy and a reduction of \$21,600 for Reedley Middle College High School. The estimated questioned costs were calculated using the California Department of Education provided "Audit Finding Calculator for Fiscal Year 2019-2020 and Each Year Thereafter."

Effect

We tested 100 percent of the population of pupils that were reported as participating in the Free/Reduced meal program and were not direct certified, not foster/homeless, not migrant, and not designated as ELs. A total of 148 pupils were incorrectly classified based on not meeting income requirements for the District and its charter schools.

The below table summarizes the effect of students who were incorrectly reported.

Kings Canyon Joint School District

| | |
|---|--------|
| Certified total enrollment | 28,955 |
| Certified total unduplicated pupil count | 24,909 |
| Unduplicated pupil count adjustment based on eligibility for FRPM | (136) |
| Adjusted total enrollment | 28,955 |
| Adjusted total unduplicated pupil count | 24,773 |

Kings Canyon Joint School District – Dunlap Leadership Academy Charter

| | |
|---|-----|
| Certified total enrollment | 145 |
| Certified total unduplicated pupil count | 108 |
| Unduplicated pupil count adjustment based on eligibility for FRPM | (3) |
| Adjusted total enrollment | 145 |
| Adjusted total unduplicated pupil count | 105 |

Kings Canyon Joint School District – Reedley Middle College High School Charter

| | |
|---|-----|
| Certified total enrollment | 613 |
| Certified total unduplicated pupil count | 453 |
| Unduplicated pupil count adjustment based on eligibility for FRPM | (9) |
| Adjusted total enrollment | 613 |
| Adjusted total unduplicated pupil count | 444 |

Cause

During the annual updating process of student records, a software is used to scan and upload the income survey data into CalPads. During the upload, the software incorrectly classified many “Paid/Denied” students as either “Free” or “Reduced.”

Repeat Finding (Yes or No)

No.

Recommendation

The District must have procedures in place to verify the status of the students reported on the CalPads database when the students are designated as an English Learner or participants of the Free/Reduced meal program.

Current Status

Implemented.