

NEW ISSUE - FULL BOOK-ENTRY

INSURED RATING: S&P: "AA"
UNDERLYING RATING: S&P: "A+"
See "RATINGS" herein.

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

\$1,270,000
PORTERVILLE UNIFIED SCHOOL DISTRICT
(County of Tulare, California)
2021 General Obligation Refunding Bonds, Series A
(Strathmore Union High School District)

\$2,445,000
PORTERVILLE UNIFIED SCHOOL DISTRICT
(County of Tulare, California)
2021 General Obligation Refunding Bonds, Series B
(Porterville Unified School Facilities Improvement District)

Dated: Date of Delivery

Due: August 1, as shown on inside front cover

Authority and Purpose. The above captioned 2021 General Obligation Refunding Bonds, Series A (Strathmore Union High School District) (the "Series A Bonds"), and the above captioned 2021 General Obligation Refunding Bonds, Series B (Porterville Unified School Facilities Improvement District) (the "Series B Bonds" and together with the Series A Bonds, the "Bonds") are being issued by the Porterville Unified School District (the "District") pursuant to certain provisions of the California Government Code and resolutions of the Board of Trustees of the District adopted on February 23, 2021 (together, the "Bond Resolutions"). The Series A Bonds and the Series B Bonds are being issued to refund certain maturities of outstanding general obligation bonds of the former Strathmore Union High School District (the "Former High School District") and the Porterville Unified School Facilities Improvement District (the "Improvement District"), as described herein, and to pay applicable costs of issuance. See "THE BONDS – Authority for Issuance" and "THE REFINANCING PLAN" herein.

Security. The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied on taxable property within the District and collected by the County of Tulare (the "County"). The Board of Supervisors of the County is empowered and obligated to annually levy *ad valorem* taxes for the payment of interest on, and principal of, the Series A Bonds upon all property subject to taxation within the Former High School, and payment of interest on, and principal of, the Series B Bonds upon all property subject to taxation within the Improvement District, without limitation of rate or amount (except certain personal property which is taxable at limited rates). The District has other outstanding issues of general obligation bonds which are similarly payable from *ad valorem* taxes levied on parcels in the Former High School District and Improvement District and will be payable on a parity basis with the Bonds. See "SECURITY FOR THE BONDS."

Book-Entry Only. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers will not receive physical certificates representing their interests in the Bonds. See "THE BONDS" and APPENDIX F.

Payments. The Bonds are dated the date of delivery, and are being issued as current interest bonds. The Bonds accrue interest at the rates set forth on the inside cover page hereof, payable semiannually on each February 1 and August 1 until maturity, commencing August 1, 2021. Payments of principal of and interest on the Bonds will be paid by U.S. Bank National Association, as the designated paying agent, registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See "THE BONDS - Description of the Bonds."

No Redemption. The Bonds are not subject to redemption prior to maturity. See "THE BONDS –Redemption."

Bond Insurance. The scheduled payment of principal and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"). See "BOND INSURANCE" and "APPENDIX I – SPECIMEN MUNICIPAL BOND INSURANCE POLICY."



MATURITY SCHEDULE
(See inside cover)

Cover Page. This cover page contains certain information for general reference only. It is not a summary of all the provisions of the Bonds. Prospective investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to the approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the District, and subject to certain other conditions. Jones Hall, A Professional Law Corporation is also serving as Disclosure Counsel to the District. Kutak Rock LLP, Irvine, California, is serving as Underwriter's Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery through the facilities of DTC, on or about May 4, 2021.

RAYMOND JAMES®

MATURITY SCHEDULE

PORTERVILLE UNIFIED SCHOOL DISTRICT
(County of Tulare, California)
2021 General Obligation Refunding Bonds, Series A
(Strathmore Union High School District)

Base CUSIP†: 73759R

\$1,270,000 Serial Bonds

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
2021	\$10,000	2.000%	0.200%	100.434	BR0
2022	200,000	4.000	0.200	104.709	BS8
2023	215,000	4.000	0.300	108.259	BT6
2024	220,000	4.000	0.470	111.342	BU3
2025	230,000	4.000	0.620	114.127	BV1
2026	240,000	4.000	0.770	116.561	BW9
2027	155,000	4.000	0.930	118.573	BX7

PORTERVILLE UNIFIED SCHOOL DISTRICT
(County of Tulare, California)
2021 General Obligation Refunding Bonds, Series B
(Porterville Unified School Facilities District)

\$2,445,000 Serial Bonds

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
2021	\$20,000	2.000%	0.200%	100.434	BY5
2022	1,200,000	4.000	0.200	104.709	BZ2
2023	1,225,000	4.000	0.300	108.259	CA6

† CUSIP Global Services, and a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by S&P Capital IQ. Neither the District nor the Underwriter takes any responsibility for the accuracy of the CUSIP data.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any bond owner and the District or the Underwriter.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the District or the Underwriter.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Information in Official Statement. The information set forth in this Official Statement has been furnished by the District and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the District in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced herein, the words or phrases “will likely result,” “are expected to”, “will continue”, “is anticipated”, “estimate”, “project,” “forecast”, “expect”, “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the District or any other entity described or referenced herein since the date hereof.

Bond Insurance Disclaimer. Build America Mutual Assurance Company (“BAM” or the “Bond Insurer”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, the Bond Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Bond Insurer, supplied by the Bond Insurer and presented under the heading “BOND INSURANCE” and in APPENDIX G.

Involvement of Underwriter. The following statement has been provided by the Underwriter of the Bonds: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Stabilization of and Changes to Offering Prices. The Underwriter may over allot or take other steps that stabilize or maintain the market prices of the Bonds at levels above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

Document Summaries. All summaries of the Bond Resolutions or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

No Securities Laws Registration. The Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities laws of any state.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District, the County, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

Website. The District maintains a website. However, the information presented on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

**PORTERVILLE UNIFIED SCHOOL DISTRICT
(County of Tulare, California)**

BOARD OF TRUSTEES

Felipe A. Martinez, *President*
James Carson, *Vice President*
Juan Figueroa, Jr., *Clerk*
Donna Berry, *Trustee*
Lillian Durbin, *Trustee*
Pete Lara, Jr., *Trustee*
Tom Velasquez, *Trustee*

DISTRICT ADMINISTRATION

Nate Nelson, *Superintendent*
Brad Rohrbach, *Assistant Superintendent, Business Services*

PROFESSIONAL SERVICES

FINANCIAL ADVISOR

Isom Advisors, a Division of Urban Futures, Inc.
Walnut Creek, California

BOND AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

BOND REGISTRAR, TRANSFER AGENT, PAYING AGENT AND ESCROW AGENT

U.S. Bank National Association
Los Angeles, California

VERIFICATION AGENT

Causey Demgen & Moore P.C.
Denver, Colorado

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\$1,270,000

PORTERVILLE UNIFIED SCHOOL DISTRICT
(County of Tulare, California)

2021 General Obligation Refunding Bonds, Series A
(Strathmore Union High School District)

\$2,445,000

PORTERVILLE UNIFIED SCHOOL DISTRICT
(County of Tulare, California)

2021 General Obligation Refunding Bonds, Series B
(Porterville Unified School Facilities Improvement District)

The purpose of this Official Statement, which includes the cover page, inside cover page and attached appendices, is to set forth certain information concerning the sale and delivery of the 2021 General Obligation Refunding Bonds, Series A (Strathmore Union High School District) (the "**Series A Bonds**") and the 2021 General Obligation Refunding Bonds, Series B (the "**Series B Bonds**" and together with the Series A Bonds, the "**Bonds**") by the Porterville Unified School District (the "**District**").

INTRODUCTION

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The District and the Improvement District. The District was established on July 1, 1998 through the merging of the Porterville Union High School District and the Porterville Elementary School District. In 2004, the Strathmore Union High School District (the "**Former High School District**") merged with the District.

The District, located in the southern portion of Tulare County (the "**County**"), serves the communities of Porterville (the "**City**"), Springville, Terra Bella, Ducor, Poplar and Woodville. The District encompasses approximately 2,800 square miles and currently operates ten elementary schools, four middle schools, eight high schools, two alternative schools and an adult education program. The 2020-21 District enrollment is approximately 14,415 students.

The Board of Trustees (the "**Board**") of the District has formed Porterville Unified School Facilities Improvement District of the Porterville Unified School District (the "**Improvement District**") consisting of the portion of its territory that, prior to the District's unification in 1998, was the Porterville Elementary School District. The Improvement District was formed following a public hearing on July 11, 2002, pursuant to the provisions of Chapter 2 of Part 10 of Division 1 of Title 1 of the California Education Code (commencing with Section 15300 thereof) (the "**Act**") and proceedings taken by the District.

For more information regarding the District and its finances, see APPENDIX A and APPENDIX B attached hereto. See also APPENDIX C for demographic and other statistical information regarding the City and County.

COVID-19 Statement. The COVID-19 pandemic has resulted in a public health crisis that is fluid and unpredictable with financial and economic impacts that cannot be predicted. As such, investors are cautioned that the District cannot at this time predict the impacts that the COVID-19 pandemic may have on its operations and finances, property values in the District, and economic activity in the District, the State of California (the "**State**") and the nation, among others. District schools are currently closed, and the District has started the 2020-21 school year using distance learning. For more disclosure regarding the COVID-19 emergency, see "SECURITY FOR THE

BONDS – COVID-19 Global Pandemic.” See also references to COVID-19 in the sections herein entitled “PROPERTY TAXATION”, and in APPENDIX A under the heading “STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS.”

Purpose. The Bonds are being issued by the District to refund certain maturities of the District’s outstanding 2002 Election General Obligation Refunding Bonds, 2011 Series A (the “**2011A Bonds**”) and the 2002 Election General Obligation Refunding Bonds, 2011 Series B (the “**2011B Bonds**”), and to pay related costs of issuance. See “THE REFINANCING PLAN” herein.

Authority for Issuance of the Bonds. The Bonds are being issued pursuant to the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53550 thereof, and pursuant to resolutions adopted by the Board on February 23, 2021 (the “**Series A Bond Resolution**” and the “**Series B Bond Resolution**” respectively and, together, the “**Bond Resolutions**”). See “THE BONDS - Authority for Issuance” herein.

Payment and Registration of the Bonds. The Bonds mature in the years and in the amounts as set forth on the inside cover page hereof. The Bonds will be dated their date of delivery (the “**Dated Date**”) and will be issued as fully registered bonds, without coupons, in the denominations of \$5,000 or any integral multiple thereof. The Bonds accrue interest at the rates set forth on the inside cover page hereof, payable semiannually on each February 1 and August 1 until maturity, commencing August 1, 2021. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Bonds. See “THE BONDS THE BONDS - Description of the Bonds” and APPENDIX F.

Redemption. The Bonds are not subject to redemption prior to maturity. See “THE BONDS – No Redemption.”

Security and Sources of Payment for the Bonds. The Bonds are general obligation bonds of the District payable solely from *ad valorem* property taxes levied on taxable property located in the Former High School District and the Improvement District, collected by the County. The County is empowered and obligated to annually levy *ad valorem* taxes for the payment of interest on, and principal of, the Bonds upon all property subject to taxation by the Former High School District and the Improvement District, as applicable, without limitation of rate or amount (except with respect to certain personal property which is taxable at limited rates). See “SECURITY FOR THE BONDS.”

The District and the Improvement District have other series of general obligation bonds that are payable from *ad valorem* taxes levied on taxable property in the District and within the Improvement District. For the remaining debt service of the District’s outstanding general obligation bonds, see “DEBT SERVICE SCHEDULES.” See also “APPENDIX A – GENERAL AND FINANCIAL INFORMATION ABOUT THE DISTRICT- DISTRICT FINANCIAL INFORMATION - Long-Term Indebtedness.”

Legal Matters. Issuance of the Bonds is subject to the approving opinions of Jones Hall, A Professional Law Corporation, San Francisco, California, as bond counsel (“**Bond Counsel**”), to be delivered in substantially the forms attached hereto as APPENDIX D. Jones Hall, A Professional Law Corporation, San Francisco, California, will also serve as Disclosure Counsel to the District (“**Disclosure Counsel**”). Payment of the fees of Bond Counsel and Disclosure Counsel is contingent upon issuance of the Bonds.

Tax Matters. In the opinion of Bond Counsel, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal individual alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" for additional information, and APPENDIX D hereto for the forms of Bond Counsel's opinions to be delivered concurrently with the Bonds.

Bond Insurance. Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("**BAM**" or the "**Bond Insurer**") will issue its Municipal Bond Insurance Policy (the "**Policy**") for the Bonds. The Policy guarantees the scheduled payment of principal and interest on the Bonds when due, as set forth in the form of the Policy included as Appendix G to this Official Statement. See "BOND INSURANCE" and APPENDIX G.

Continuing Disclosure. The District has covenanted and agreed that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed in connection with the Bonds. The form of the Continuing Disclosure Certificate is included in APPENDIX E hereto. See "CONTINUING DISCLOSURE" herein.

Other Information. This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Copies of documents referred to in this Official Statement and information concerning the Bonds are available from the District from the Superintendent's Office at Porterville Unified School District, 600 West Grand Avenue, Porterville, California; telephone (559) 793-2400. The District may impose a charge for copying, mailing and handling.

END OF INTRODUCTION

THE REFINANCING PLAN

The Series A Bonds. On December 1, 2011, the District issued the 2011A Bonds, as current interest bonds, in the aggregate principal amount of \$2,880,000, to refund certain outstanding general obligation bonds of the Former High School District authorized at an election held February 5, 2002 and approved by more than 2/3 of the voters. The 2011A Bonds are currently outstanding in the aggregate principal amount of \$1,555,000.

Proceeds of the Series A Bonds will be used to refinance certain maturities of the outstanding 2011A Bonds, as more particularly identified in the following table (the “**Refunded 2011A Bonds**”).

Identification of Refunded 2011A Bonds

Maturities Payable from Escrow (August 1)	CUSIP†	Principal Amount	Redemption Date	Redemption Price
2022	73759R AL4	\$200,000	8/01/2021	100%
2023	73759R AM2	215,000	8/01/2021	100%
2024	73759R AN0	220,000	8/01/2021	100%
2025	73759R AP5	230,000	8/01/2021	100%
2026	73759R AQ3	240,000	8/01/2021	100%
2027	73759R AR1	255,000	8/01/2021	100%
TOTAL	--	\$1,360,000	--	--

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. Neither the District nor the Underwriter takes any responsibility for the accuracy of the CUSIP data.

The Series B Bonds. On December 1, 2011, the District issued the 2011B Bonds, as current interest bonds, in the aggregate principal amount of \$10,215,000 to refund, on an advance basis, certain outstanding general obligation bonds of the Improvement District authorized at an election of the Improvement District’s voters on November 5, 2002, approved by more than 55% of the voters within the Improvement District. The 2011B Bonds are currently outstanding in the aggregate principal amount of \$3,630,000.

Proceeds of the Series B Bonds will also be used to refinance certain maturities of the outstanding 2011B Bonds, as more particularly identified in the following table (the “**Refunded 2011B Bonds**” and together with the 2011A Refunded Bonds, the “**Refunded Bonds**”), and to pay related costs of issuance.

Identification of Refunded 2011B Bonds

Maturities Payable from Escrow (August 1)	CUSIP†	Principal Amount	Redemption Date	Redemption Price
2022	737590 DF3	\$1,210,000	8/01/2021	100%
2023	737590 DG1	1,290,000	8/01/2021	100%
TOTAL	--	\$2,500,000	--	--

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. Neither the District nor the Underwriter takes any responsibility for the accuracy of the CUSIP data.

Deposits in Escrow Fund. The District will deliver the net proceeds of the Bonds to U.S. Bank National Association (the “**Escrow Bank**”), for deposit in an escrow fund (the “**Escrow Fund**”) established under an Escrow Deposit Agreement (the “**Escrow Agreement**”), between the District and the Escrow Bank. The Escrow Bank will apply such funds, together with interest earnings thereon, to pay the principal of and interest on the Refunded Bonds, as set forth above, on the redemption date identified above.

Sufficiency of the deposits in the Escrow Fund for those purposes will be verified by Causey Demgen & Moore P.C., certified public accountants (the “**Verification Agent**”). See “VERIFICATION OF MATHEMATICAL ACCURACY” herein. As a result of the deposit of funds with the Escrow Bank on the date of issuance of the Bonds, the Refunded Bonds will be legally defeased and will be payable solely from amounts held for that purpose under the Escrow Agreement, and will cease to be secured by *ad valorem* property taxes levied in the Former High School District and Improvement District.

The amounts held by the Escrow Bank in the Escrow Fund are pledged solely to the payment of the Refunded Bonds. The funds deposited in the Escrow Fund will not be available for the payment of debt service with respect to the Bonds.

SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Bonds are as follows:

<u>Sources of Funds</u>	<u>The Series A Bonds</u>	<u>The Series B Bonds</u>	<u>Total</u>
Principal Amount of Bonds	\$1,270,000.00	\$2,445,000.00	\$3,715,000.00
Original Issue Premium	<u>153,197.30</u>	<u>157,767.55</u>	<u>310,964.85</u>
Total Sources	\$1,423,197.30	\$2,602,767.55	\$4,025,964.85
<u>Uses of Funds</u>			
Deposit to Escrow Fund	\$1,386,762.50	\$2,545,362.50	\$3,932,125.00
Costs of Issuance ⁽¹⁾	<u>36,434.80</u>	<u>57,405.05</u>	<u>93,839.85</u>
Total Uses	\$1,423,197.30	\$2,602,767.55	\$4,025,964.85

(1) All estimated costs of issuing the Bonds including, but not limited to, fees of Bond Counsel, Disclosure Counsel, the Financial Advisor, the Paying Agent and the rating agency, bond insurance premium, and Underwriter's discount.

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THE BONDS

Authority for Issuance

The Bonds will be issued pursuant to the provisions of Articles 9 and 11 of Chapter 3 and of Part 1 of Division 2 of Title 5 of the California Government Code and the Bond Resolutions.

Description of the Bonds

The Bonds are being issued as current interest bonds. The Bonds mature in the years and in the amounts set forth on the inside cover page hereof. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Bonds. See “Book-Entry Only System” and APPENDIX F.

The Bonds shall be issued in the denominations of \$5,000 principal amount each or any integral multiple thereof. Interest on Bonds is payable semiannually on each February 1 and August 1, commencing August 1, 2021 (each, an “**Interest Payment Date**”). Each Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is authenticated as of an Interest Payment Date, in which event it will bear interest from such date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth day of the month preceding the Interest Payment Date (each, a “**Record Date**”), in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to July 15, 2021, in which event it will bear interest from the date of delivery of the Bonds identified on the cover page hereof. Notwithstanding the foregoing, if interest on any Bond is in default at the time of authentication thereof, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Payments of principal of and interest on the Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds.

Book-Entry Only System

The Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“**DTC**”). Purchasers of the Bonds (the “**Beneficial Owners**”) will not receive physical certificates representing their interest in the Bonds. Payments of principal of and interest on the Bonds will be paid by U.S. Bank National Association (the “**Paying Agent**”) to DTC for subsequent disbursement to DTC Participants which will remit such payments to the Beneficial Owners of the Bonds.

As long as DTC’s book-entry method is used for the Bonds, the Paying Agent will send any notice of prepayment or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the prepayment of the Bonds called for prepayment or of any other action premised on such notice. See APPENDIX F.

The Paying Agent, the District, and the Underwriter of the Bonds have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Bonds.

No Redemption

The Bonds are not subject to optional redemption prior to maturity.

Registration, Transfer and Exchange of Bonds

If the book entry system is discontinued, the District shall cause the Paying Agent to maintain and keep at its principal corporate trust office all books and records necessary for the registration, exchange and transfer of the Bonds.

If the book entry system is discontinued, the person in whose name a Bond is registered on the Bond Register shall be regarded as the absolute owner of that Bond. Payment of the principal of and interest on any Bond shall be made only to or upon the order of that person; none of the District, the County or the Paying Agent shall be affected by any notice to the contrary, but the registration may be changed as provided the Bond Resolutions.

Bonds may be exchanged at the principal corporate trust office of the Paying Agent for a like aggregate principal amount of Bonds of authorized denominations and of the same series and maturity. Any Bond may, in accordance with its terms, but only if (i) the District determines to no longer maintain the book entry only status of the Bonds, (ii) DTC determines to discontinue providing such services and no successor securities depository is named or (iii) DTC requests the District to deliver Bond certificates to particular DTC Participants, be transferred, upon the books required to be kept pursuant to the provisions of the Bond Resolutions, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed.

No exchanges of Bonds shall be required to be made (a) fifteen days prior to an Interest Payment Date or the date established by the Paying Agent for selection of Bonds for redemption until the close of business on the Interest Payment Date or day on which the applicable notice of redemption is given or (b) with respect to a Bond after such Bond has been selected or called for redemption in whole or in part.

Defeasance

The Bonds may be paid by the District, in whole or in part, in any one or more of the following ways:

- (a) by paying or causing to be paid the principal or redemption price of and interest on the Bonds, as and when the same become due and payable;
- (b) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Bond Resolutions) to pay or redeem such Bonds;
or
- (c) by delivering such Bonds to the Paying Agent for cancellation by it.

Whenever in the Bond Resolutions it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may be held by the Paying Agent or by any other fiduciary. Such money or securities may include money or securities held by the Paying Agent in the funds and accounts established under the Bond Resolutions and will be:

- (i) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption is given as provided in the Bond Resolutions or provision satisfactory to the Paying Agent is made for the giving of such notice, the amount to be deposited or held will be the principal amount or redemption price of such Bonds and all unpaid interest thereon to the redemption date; or
- (ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption is given as provided in the Bond Resolutions or provision satisfactory to the Paying Agent is made for the giving of such notice.

Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount (as described above) to pay or redeem any outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), then all liability of the County and the District in respect of such Bond will cease and be completely discharged, except only that thereafter the owner thereof will be entitled only to payment of the principal of and interest on such Bond by the District, and the District will remain liable for such payment, but only out of such money or securities deposited with the Paying Agent for such payment.

“Federal Securities” means United States Treasury notes, bonds, bills or certificates of indebtedness, or any other obligations the timely payment of which is directly or indirectly guaranteed by the faith and credit of the United States of America.

APPLICATION OF PROCEEDS OF THE BONDS

Escrow Fund

Pursuant to the Bond Resolutions, net proceeds from the sale of the Bonds will be transferred to the Escrow Bank, for deposit in the Escrow Fund. The Escrow Bank will apply such funds, together with interest earnings thereon, to pay the principal of and interest on the Refunded Bonds. See “REFINANCING PLAN – Deposits in the Escrow Fund.”

Debt Service Fund

Pursuant to the Bond Resolutions, the County will establish and maintain (i) the “Porterville Unified School District 2021 General Obligation Refunding Bonds, Series A Debt Service Fund” and (ii) the “Porterville Unified School District 2021 General Obligation Refunding Bonds, Series B Debt Service Fund” (together, the “**Debt Service Funds**”) which are pledged for the payment of the principal of and, and interest on the Bonds when and as the same become due. All taxes levied by the County for the payment of the principal of and, interest and premium (if any) on the Bonds will be deposited in the debt service fund by the County promptly upon apportionment of said levy.

Any moneys remaining in the debt service fund after the Bonds and the interest thereon have been paid, shall be transferred to any other interest and sinking fund or account for general obligation bond indebtedness of the District, including refunding bonds, and in the event there is no such debt outstanding, shall be transferred to the District's general fund upon the order of the County Auditor, as provided in Section 15234 of the Education Code.

Investment of Proceeds of Bonds

All moneys held in any of the funds or accounts established with the County under the Bond Resolutions will be invested in Authorized Investments (as defined in the Bond Resolutions) in accordance with the investment policies of The County, as such policies exist at the time of investment. Obligations purchased as an investment of moneys in any fund or account will be deemed to be part of such fund or account. All interest or gain derived from the investment of amounts in any of the funds or accounts established under the Bond Resolutions will be deposited in the fund or account from which such investment was made, and will be expended for the purposes thereof.

In accordance with Government Code Section 53600 *et seq.*, the County Treasurer manages funds deposited with it by the District. The County is required to invest such funds in accordance with California Government Code Sections 53601 *et seq.* In addition, the County is required to establish its own investment policies which may impose limitations beyond those required by the Government Code.

DEBT SERVICE SCHEDULES

The Series A Bonds. The following table shows the debt service schedule with respect to the Series A Bonds.

PORTERVILLE UNIFIED SCHOOL DISTRICT Annual Debt Service Schedule 2021 General Obligation Refunding Bonds, Series A (Strathmore Unified School District)

Bond Year Ending (August 1)	Principal	Interest	Total Annual Debt Service
2021	\$10,000.00	\$12,228.33	\$22,228.33
2022	200,000.00	50,400.00	250,400.00
2023	215,000.00	42,400.00	257,400.00
2024	220,000.00	33,800.00	253,800.00
2025	230,000.00	25,000.00	255,000.00
2026	240,000.00	15,800.00	255,800.00
2027	155,000.00	6,200.00	161,200.00
TOTAL	\$1,270,000.00	\$185,828.33	\$1,455,828.33

The Series B Bonds. The following table shows the debt service schedule with respect to the Series B Bonds.

PORTERVILLE UNIFIED SCHOOL DISTRICT Annual Debt Service Schedule 2021 General Obligation Refunding Bonds, Series B (Porterville Unified School Facilities Improvement District)

Bond Year Ending (August 1)	Principal	Interest	Total Annual Debt Service
2021	\$20,000.00	\$23,538.33	\$43,538.33
2022	1,200,000.00	97,000.00	1,297,000.00
2023	1,225,000.00	49,000.00	1,274,000.00
TOTAL	\$2,445,000.00	\$169,538.33	\$2,614,538.33

General Obligation Bond Combined Debt Service. The following table shows the combined debt service schedule with respect to all outstanding general obligation bonds of the Former High School District, together with the Series A Bonds assuming no optional redemptions. See APPENDIX A under the heading “FINANCIAL INFORMATION – Existing Debt Obligations” for additional information.

**FORMER HIGH SCHOOL DISTRICT
Combined Debt Service Schedule**

Period Ending (August 1)	2011 Refunding Bonds	Series A Bonds	Total Annual Debt Service
2021	\$228,587.50	\$22,228.33	\$250,815.83
2022	--	250,400.00	250,400.00
2023	--	257,400.00	257,400.00
2024	--	253,800.00	253,800.00
2025	--	255,000.00	255,000.00
2026	--	255,800.00	255,800.00
2027	--	161,200.00	161,200.00
TOTAL	\$228,587.50	\$1,455,828.33	<u>\$1,684,415.83</u>

General Obligation Bond Combined Debt Service. The following table shows the combined debt service schedule with respect to all outstanding general obligation bonds of the Improvement District, together with the Series B Bonds assuming no optional redemptions. See APPENDIX A under the heading “FINANCIAL INFORMATION – Existing Debt Obligations” for additional information.

**PORTERVILLE UNIFIED SCHOOL FACILITIES IMPROVEMENT DISTRICT
Combined Debt Service Schedule**

Period Ending (Aug.1)	2002 Bonds	2004 Bonds*	2007C Bonds	2011 Refunding Bonds	2018 Refunding Bonds	Series B Bonds	Total Outstanding Bonds
2021	--	\$210,000.00	--	\$1,214,912.50	\$197,512.50	\$43,538.33	\$1,665,963.33
2022	--	235,000.00	--	--	185,712.50	1,297,000.00	1,717,712.50
2023	--	260,000.00	--	--	184,212.50	1,274,000.00	1,718,212.50
2024	\$1,400,000.00	285,000.00	--	--	182,212.50	--	1,867,212.50
2025	1,445,000.00	310,000.00	--	--	170,212.50	--	1,925,212.50
2026	1,485,000.00	345,000.00	--	--	163,612.50	--	1,993,612.50
2027	1,530,000.00	375,000.00	--	--	157,212.50	--	2,062,212.50
2028	--	520,000.00	--	--	1,606,012.50	--	2,126,012.50
2029	--	2,135,000.00	--	--	66,812.50	--	2,201,812.50
2030	--	--	\$900,000.00	--	1,181,812.50	--	2,081,812.50
2031	--	--	--	--	2,061,812.50	--	2,061,812.50
2032	--	--	--	--	2,125,000.00	--	2,125,000.00
2033	--	--	--	--	2,195,000.00	--	2,195,000.00
2034	--	--	--	--	2,260,000.00	--	2,260,000.00
2035	--	--	--	--	2,335,000.00	--	2,335,000.00
2036	--	--	--	--	2,410,000.00	--	2,410,000.00
2037	--	--	--	--	2,480,000.00	--	2,480,000.00
TOTAL	\$5,860,000.00	\$4,675,000.00	\$900,000.00	\$1,214,912.50	\$19,962,137.50	\$2,614,538.33	\$35,226,588.33

* Reflects maturity value.

SECURITY FOR THE BONDS

Ad Valorem Taxes

Bonds Payable from Ad Valorem Property Taxes. The Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied on taxable property within the Former High School District and within the Improvement District, as applicable, and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the Former High School District and within the Improvement District, as applicable, subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates). The District has other series of general obligation bonds outstanding which will be payable on a parity basis with the Bonds. See “DEBT SERVICE SCHEDULES” and APPENDIX A under the heading “DISTRICT FINANCIAL INFORMATION – Existing Debt Obligations.”

Other Non-District Debt Payable from Ad Valorem Property Taxes. In addition to the Bonds, the Former High School District and the Improvement District have issued other outstanding general obligation bonds, there is other debt issued by entities within the jurisdiction of the District, which is payable from *ad valorem* taxes levied on parcels in the Former High School District and the Improvement District. See “PROPERTY TAXATION – Tax Rates” and “– Direct and Overlapping Debt” below.

Levy and Collection. The County will levy and collect such *ad valorem* taxes in such amounts and at such times as is necessary to ensure the timely payment of debt service on the Bonds. Such taxes, when collected, will be deposited into the Debt Service Funds for the Bonds, which is maintained by the County and which is irrevocably pledged for the payment of principal of and interest on the Bonds when due.

The Former High School District and Improvement District property taxes are assessed and collected by the County in the same manner and at the same time, and in the same installments as other *ad valorem* taxes on real property, and will have the same priority, become delinquent at the same times and in the same proportionate amounts, and bear the same proportionate penalties and interest after delinquency, as do the other *ad valorem* taxes on real property.

Statutory Lien on Ad Valorem Tax Revenues. In accordance with Section 53515 of the California Government Code, the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the ad valorem tax imposed to service the Bonds. This lien automatically arises without the need for any action or authorization by the District or the Board. The revenues received pursuant to the levy and collection of the ad valorem tax shall be immediately subject to the lien, and the lien shall immediately attach to the revenues and be effective, binding, and enforceable against the District, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act.

Annual Tax Rates. The amount of the annual *ad valorem* tax levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the Former High School District and Improvement District and the amount of debt service due on the Bonds. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the Former High School District and Improvement District may cause the annual tax rate to fluctuate.

Economic and other factors beyond the District's control, such as economic recession, deflation of land values, a relocation out of the District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within the Former High School District and Improvement District and necessitate a corresponding increase in the annual tax rate. See "PROPERTY TAXATION – Assessed Valuations – Factors Relating to Increases/Decreases in Assessed Value." See also "— COVID-19 Global Pandemic."

Debt Service Funds

As described herein under the heading "APPLICATION OF PROCEEDS OF THE BONDS - Debt Service Fund," the County Treasurer will establish a Debt Service Fund for the Bonds. All taxes levied by the County for the payment of the principal of and interest and premium (if any) on the Bonds will be deposited in the debt service fund by the County promptly upon the receipt. The Debt Service Fund is pledged for the payment of the principal of and interest and premium (if any) on the Bonds when and as the same become due. The County will transfer amounts in the Debt Service Fund to the Paying Agent to the extent necessary to pay the principal of and interest and premium (if any) on the Bonds as the same becomes due and payable.

Not a County Obligation

The Bonds are payable solely from the proceeds of an *ad valorem* tax levied and collected by the County for the payment of principal and interest on the Bonds. Although the County is obligated to collect the *ad valorem* tax for the payment of the Bonds, the Bonds are not a debt or obligation of the County.

COVID-19 Global Pandemic

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus ("COVID-19"), which was first detected in China and has spread to other countries, including the United States, was declared a pandemic by the World Health Organization, a national emergency by the President of the United States (the "**President**") and a state of emergency by the Governor of the State (the "**Governor**"). There has been tremendous volatility in the markets in the United States and globally, resulting in the onset of a national and global recession.

Federal Response. The President's declaration of a national emergency on March 13, 2020 made available more than \$50 billion in federal resources to combat the spread of the virus. A multi-billion-dollar relief package was signed into law by the President on March 18, 2020, providing for Medicaid expansion, unemployment benefits and paid emergency leave during the crisis. In addition, the Federal Reserve lowered its benchmark interest rate to nearly zero, introduced a large bond-buying program and established emergency lending programs to banks and money market mutual funds.

On March 27, 2020, the United States Congress passed a \$2 trillion relief package, referred to as the Coronavirus Aid, Relief, and Economic Security Act (the "**CARES Act**"). The package includes direct payments to taxpayers, jobless benefits, assistance to hospitals and healthcare systems, \$367 billion for loans to small businesses, a \$500 billion fund to assist distressed large businesses, including approximately \$30 billion to provide emergency grants to educational institutions and local educational agencies. This funding allocation includes approximately \$13.5 billion in formula funding to make grants available to each state's educational agency in order to facilitate K-12 schools' responses to the COVID-19 crisis.

On April 9, 2020, the Federal Reserve took additional actions to provide up to \$2.3 trillion in loans to support the economy, including supplying liquidity to participating financial institutions in the SBA's Paycheck Protection Program, purchasing up to \$600 billion in loans through the Main Street Lending Program and offering up to \$500 billion in lending to states and municipalities.

On April 24, 2020, an additional \$484 billion federal aid package was signed, to provide additional funding for the local program for distressed small businesses and to provide funds for hospitals and COVID-19 testing. The legislation adds \$310 billion to the Paycheck Protection Program, increases the small business emergency grant and loan program by \$60 billion, and directs \$75 billion to hospitals and \$25 billion to a new COVID-19 testing program.

On December 27, 2020, the President signed the Coronavirus Response and Relief Supplemental Appropriations Act, a \$900 billion relief package. The measure provides approximately \$82 billion for education, \$54.3 billion of which is intended for K-12 schools.

On March 11, 2021, the President signed a \$1.9 trillion stimulus package (the "American Rescue Package") into law, authorizing a third round of one-time stimulus payments for qualifying Americans, extending additional unemployment benefits, and providing \$123 billion in new, flexible aid to school districts. See APPENDIX A under the heading "DISTRICT GENERAL INFORMATION – District's Response to COVID-19 Emergency" for additional information.

State Response. At the State level, on March 15, 2020, the Governor ordered the closing of California bars and nightclubs, the cancellation of gatherings of more than 250 and confirmed continued funding for school districts that close under certain conditions. On March 16, 2020, the State legislature passed \$1.1 billion in general purpose spending authority for emergency funds to respond to the Coronavirus crisis. On March 19, 2020, Governor Newsom issued a blanket shelter-in-place order, ordering all California residents to stay home except for certain necessities and other essential purposes. On August 28, 2020, the Governor released a new system called "Blueprint for a Safer California," which places the State's 58 counties into four color-coded tiers – purple, red, orange, and yellow, in descending order of severity – based on the number of new daily cases of COVID-19 and the percentage of positive tests. The County is currently in the red tier, which is the second most restrictive.

On December 3, 2020, a regional stay at home order was announced by the Governor, adding restrictions in regions with less than 15% of intensive care unit bed capacity. The current order prohibits gatherings of any size, closes operations other than critical infrastructure and retail, and requires masking and physical distancing. The regional stay at home order ended on January 25, 2021.

On December 30, 2020, the Governor announced the Safe Schools for All Plan, which would provide \$2 billion to help schools in the State safely reopen, by providing funding for COVID-19 testing, ventilation and personal protective equipment in schools. Under this plan, TK-6 students will be allowed to return to school after individual schools submit a safety plan to State and local governments, and subject to monitoring by local health departments. The plan focuses on bringing back the youngest children first, phasing in other grade levels through spring of 2021, as conditions allow. In addition, counties where schools are open must maintain a level of COVID-19 infection below 28 people per 100,000. Students will continue to have the option of at-home learning.

The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak, the economic impacts and actions that may be taken by

governmental authorities to contain the outbreak or to treat its impacts are uncertain and cannot be predicted. Additional information with respect to events surround the outbreak of COVID-19 and responses thereto can be found on State and local government websites, including but not limited to the Governor's office (<http://www.gov.ca.gov>), the California Department of Public Health (<https://covid19.ca.gov/>). *The District has not incorporated by reference the information on such websites, and the District does not assume any responsibility for the accuracy of the information on such websites.*

Impacts of COVID-19 Pandemic on Global and Local Economies Cannot be Predicted; Potential Declines in State and Local Revenues. The COVID-19 public health emergency will have negative impacts on global and local economies, including the economy of the State and in the region of the District. The extent and duration of the COVID-19 emergency is currently unknown, and the reach of its impacts uncertain.

The State's revenue sources are anticipated to be materially impacted by the COVID-19 pandemic, including with respect to reductions in personal income tax receipts and capital gains tax receipts. Economic uncertainty caused by the outbreak will significantly affect California's near-term fiscal outlook, with a likely recession due to pullback in activity across wide swaths of the economy. For more detail regarding the State's current budget, and related reports and outlooks, see Appendix A under the heading "STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS."

In addition, in an attempt to mitigate the effects of the COVID-19 pandemic on State property taxpayers, on May 6, 2020, the Governor signed an executive order suspending penalties, costs or interest for the failure to pay secured or unsecured property taxes, or to pay a supplemental bill, before the date that such taxes become delinquent. See "PROPERTY TAXATION – Property Tax Collection Procedures – Waiver of State Laws Relating to Penalties for Non-Payment of Property Taxes."

Impacts on California School Districts. Shelter in place orders have suspended in-person classroom instruction indefinitely throughout California schools. Most school districts (including the District) are undertaking distance learning efforts to provide continuing instruction to students. State law allows school districts to apply for a waiver to hold them harmless from the loss of State apportionment funding based on attendance and state instructional time penalties when they are forced to close schools due to emergency conditions. In addition, on March 13, 2020, Governor Newsom signed Executive Order N-26-20 which provides for continued State funding to school districts to support distance learning or independent study, providing subsidized school meals to low-income students, continuing payment for school district employees, and, to the extent practicable, providing for attendance calculations supervision of students during school hours, notwithstanding legal provisions to the contrary. Senate Bill 117 ("**SB 117**") was passed on March 17, 2020, addressing attendance issues and instructional hour requirements, among other items, and effectively holds schools harmless from incurring funding losses that could result from these issues under existing funding formulas. For more information about education funding formulas in California, see Appendix A under the heading "DISTRICT FINANCIAL INFORMATION – Education Funding Generally."

Under the State's "Blueprint for a Safer California," counties must spend at least three weeks in each tier before advancing to the next one. School districts located in counties in the purple tier can reopen elementary schools if the local health department provides a waiver. The County is currently assigned to the red tier, which is the second most restrictive tier, and therefore, in-person instruction is permitted.

For more information about how the District has responded to the COVID-19 emergency and the District's current assessment of the impact of the COVID-19 emergency on its finances, see APPENDIX A under the heading "DISTRICT GENERAL INFORMATION – District's Response to COVID-19 Emergency."

Impacts of COVID-19 Emergency Uncertain. The possible impacts that the COVID-19 emergency might have on the District's finances, programs, credit ratings on its debt obligations, local property values and the economy in general are uncertain at this time. In addition, there may be unknown consequences of the COVID-19 emergency, which the District is unable to predict.

General Obligation Bonds Secured by Ad Valorem Tax Revenues. Notwithstanding the impacts the COVID-19 emergency may have on the economy in the State, the County and the District or on the District's general purpose revenues, the Bonds described herein are voter-approved general obligations of the District payable solely from the levy and collection of *ad valorem* property taxes, unlimited as to rate or amount, and are not payable from the general fund of the District. The District cannot predict the impacts that the Coronavirus emergency might have on local property values or tax collections. See "SECURITY FOR THE BONDS – *Ad Valorem* Taxes" and "PROPERTY TAXATION – Teeter Plan; Property Tax Collections" herein.

PROPERTY TAXATION

Property Tax Collection Procedures

In California, property subject to *ad valorem* taxes is classified as “secured” or “unsecured.” The “secured roll” is that part of the assessment roll containing state assessed public utilities’ property and real property, the taxes on which create a lien on such property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the respective county.

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. A bill enacted in 1983, SB813 (Statutes of 1983, Chapter 498), however, provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, SB813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date and result in increased assessed value.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1.5% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder’s office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

Waiver of State Laws Relating to Penalties for Non-Payment of Property Taxes. In an attempt to mitigate the effects of the COVID-19 pandemic on State property taxpayers, on May 6, 2020, the Governor signed Executive Order N-61-20 (“**Order N-61-20**”). Under Order N-61-20, certain provisions of the State Revenue and Taxation Code are suspended until May 6, 2021 to the extent said provisions require a tax collector to impose penalties, costs or interest for the

failure to pay secured or unsecured property taxes, or to pay a supplemental bill, before the date that such taxes become delinquent. Said penalties, costs and interest shall be cancelled under the conditions provided for in Order N-61-20, including if the property is residential real property occupied by the taxpayer or the real property qualifies as a small business under certain State laws, the taxes were not delinquent prior to March 4, 2020, the taxpayer files a claim for relief with the tax collector, and the taxpayer demonstrates economic hardship or other circumstances that have arisen due to the COVID-19 pandemic or due to a local, state, or federal governmental response to COVID-19. The impacts the waiver of penalties, costs or interest on delinquent property taxes under the circumstances described in Order N-61-20 have on property tax revenues are unknown at this time. For information about the County's current distribution of property taxes, see below under the heading "-Tax Levies and Delinquencies – Teeter Plan."

Disclaimer Regarding Property Tax Collection Procedures. The property tax collection procedures described above are subject to amendment based on legislation or executive order, including Order N-61-20, which may be enacted by the State legislature or declared by the Governor from time to time. The District cannot predict changes in law or orders of State officials that might occur in the future, particularly with regard to actions that might be taken in an attempt to mitigate the impacts of the COVID-19 pandemic.

Taxation of State-Assessed Utility Property

The State Constitution provides that most classes of property owned or used by regulated utilities be assessed by the State Board of Equalization ("**SBE**") and taxed locally. Property valued by the SBE as an operating unit in a primary function of the utility taxpayer is known as "unitary property", a concept designed to permit assessment of the utility as a going concern rather than assessment of each individual element of real and personal property owned by the utility taxpayer. State-assessed unitary and "operating nonunitary" property (which excludes nonunitary property of regulated railways) is allocated to the County based on the situs of the various components of the unitary property. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating nonunitary property is taxed at special county-wide rates and tax proceeds are distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

Assessed Valuation

The assessed valuation of property in the Former High School District and the Improvement District are established by the County Assessors, except for public utility property, which is assessed by the State Board of Equalization, as described above. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIII A of the California Constitution. For a discussion of how properties currently are assessed, see APPENDIX A under the heading "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

Certain classes of property, such as churches, colleges, not-for-profit hospitals, and charitable institutions, are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

Assessed Valuation History. The tables below show a recent history of the Former High School District and the Improvement District's assessed valuation.

**FORMER HIGH SCHOOL DISTRICT
Assessed Valuations
Fiscal Years 2008-09 through 2020-21**

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2008-09	\$385,487,185	\$223,356	\$18,801,626	\$404,512,167	--%
2009-10	398,889,005	378,736	21,910,416	421,178,157	4.1
2010-11	399,674,593	378,736	22,509,089	422,562,418	0.3
2011-12	407,853,666	378,736	20,015,985	428,248,387	1.3
2012-13	418,440,924	378,736	19,282,351	438,102,011	2.3
2013-14	426,190,864	427,045	19,516,691	446,134,600	1.8
2014-15	435,679,101	427,045	19,171,603	455,277,749	2.0
2015-16	455,859,186	427,045	19,198,477	475,484,708	4.4
2016-17	469,727,908	328,735	19,980,744	490,037,387	3.1
2017-18	496,584,003	439,580	22,498,029	519,521,612	6.0
2018-19	515,858,263	439,580	22,864,530	539,162,373	3.8
2019-20	540,225,542	439,580	23,802,849	564,467,971	4.7
2020-21	572,632,118	439,580	23,400,804	596,472,502	5.7

Source: California Municipal Statistics, Inc.

**IMPROVEMENT DISTRICT
Assessed Valuations
Fiscal Years 2008-09 through 2020-21**

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2008-09	\$2,021,461,369	\$1,926,582	\$94,632,618	\$2,118,020,569	--%
2009-10	1,987,453,693	2,423,843	96,376,779	2,086,254,315	(1.5)
2010-11	1,980,048,972	2,455,709	91,913,101	2,074,417,782	(0.6)
2011-12	1,930,603,856	2,455,971	103,240,236	2,036,300,063	(1.8)
2012-13	1,908,259,514	2,437,806	99,776,761	2,010,474,081	(1.3)
2013-14	1,948,790,847	2,711,006	102,836,675	2,054,338,528	2.2
2014-15	2,007,726,141	2,711,006	113,588,616	2,124,025,763	3.4
2015-16	2,105,269,744	2,786,295	111,708,796	2,219,764,835	4.5
2016-17	2,166,232,709	1,577,618	111,880,662	2,279,690,989	2.7
2017-18	2,231,377,973	1,615,525	154,640,533	2,387,634,031	4.7
2018-19	2,317,380,938	1,615,525	152,742,477	2,471,738,940	3.5
2019-20	2,457,069,023	1,615,525	148,827,845	2,607,512,393	5.5
2020-21	2,545,937,536	1,615,525	161,559,136	2,709,112,197	3.9

Source: California Municipal Statistics, Inc.

Factors Relating to Increases/Decreases in Assessed Value. As indicated in the previous table, assessed valuations are subject to change in each year. Increases or decreases in assessed valuation result from a variety of factors including but not limited to general economic conditions, supply and demand for real property in the area, government regulations such as zoning, and natural disasters such as earthquakes, fires, floods and droughts.

In addition, wildfires have occurred in recent years in different regions of the State, and related flooding and mudslides have also occurred. The most destructive of the recent wildfires, which have burned thousands of acres and destroyed thousands of homes and structures, have originated in wildlands adjacent to urban areas. Although the recent natural disasters do not include territory within the District's boundaries, the District cannot predict or make any representations regarding the effects that wildfires, flooding, mudslides or any other natural disasters and related conditions have or may have on the value of taxable property within the District, or to what extent the effects said disasters might have had on economic activity in the District or throughout the State.

The world is currently experiencing a global pandemic as a result of the outbreak of COVID-19 which may have a negative impact on local property values, but the impact is uncertain at this time. The COVID-19 emergency could cause general marked declines in property values. For disclosure relating to the COVID-19 emergency, see also “SECURITY FOR THE BONDS – COVID-19 Global Pandemic.”

The District cannot predict or make any representations regarding the effects that natural disasters and related conditions have or may have on the value of taxable property within the Former High School District or the Improvement District, as applicable, or to what extent the effects said disasters might have had on economic activity in the District or throughout the State.

See also “SECURITY FOR THE BONDS – COVID-19 Global Pandemic.”

Property Tax Base Transfer Ballot Measure. On November 3, 2020, State voters approved a constitutional amendment entitled Property Tax Transfers, Exemptions and Revenue for Wildfire Agencies and Counties Amendment (“**Proposition 19**”), which will: (i) expand special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by a natural disaster or contamination, when they buy a different home; (ii) narrow existing special rules for inherited properties; and (iii) broaden the scope of legal entity ownership changes that trigger reassessment of properties. The District cannot make any assurance as to what effect the implementation of Proposition 19 will have on assessed valuation of real property in the District.

Assessed Valuation by Land Use. The following tables show the land use of property in the Former High School District and the Improvement District, as measured by assessed valuation and the number of parcels for fiscal year 2020-21.

**FORMER HIGH SCHOOL DISTRICT
2020-21 Assessed Valuation and Parcels by Land Use**

	2020-21 Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	\$273,763,321	47.81%	1,122	36.25%
Commercial/Office	13,442,869	2.35	53	1.71
Vacant Commercial	1,171,455	0.20	10	0.32
Industrial	22,884,847	4.00	15	0.48
Vacant Industrial	410,321	0.07	5	0.16
Government/Social/Institutional	138,218	0.02	26	0.84
Miscellaneous	<u>2,474,179</u>	<u>0.43</u>	<u>49</u>	<u>1.58</u>
Subtotal Non-Residential	\$314,285,210	54.88%	1,280	41.36%
Residential:				
Single Family Residence	\$230,826,386	40.31%	1,452	46.91%
Mobile Home	18,192,617	3.18	259	8.37
Mobile Home Park	560,604	0.10	1	0.03
2-4 Residential Units	461,741	0.08	5	0.16
5+ Residential Units/Apartments	3,207,895	0.56	10	0.32
Vacant Residential	<u>5,097,665</u>	<u>0.89</u>	<u>88</u>	<u>2.84</u>
Subtotal Residential	\$258,346,908	45.12%	1,815	58.64%
Total	\$572,632,118	100.00%	3,095	100.00%

(1) Local secured assessed valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

IMPROVEMENT DISTRICT
2020-21 Assessed Valuation and Parcels by Land Use

	<u>2020-21 Assessed Valuation ⁽¹⁾</u>	<u>% of Total</u>	<u>No. of Parcels</u>	<u>% of Total</u>
Non-Residential:				
Agricultural/Rural	\$164,996,963	6.48%	657	4.60%
Commercial/Office	533,625,289	20.96	770	5.40
Vacant Commercial	41,230,977	1.62	207	1.45
Industrial	36,731,356	1.44	28	0.20
Vacant Industrial	5,181,312	0.20	52	0.36
Recreational	8,640,375	0.34	14	0.10
Government/Social/Institutional	24,574,649	0.97	114	0.80
Miscellaneous	<u>8,149,458</u>	<u>0.32</u>	<u>236</u>	<u>1.65</u>
Subtotal Non-Residential	\$823,130,379	32.33%	2,078	14.56%
Residential:				
Single Family Residence	\$1,436,513,373	56.42%	9,819	68.81%
Condominium	36,788,528	1.44	333	2.33
Mobile Home	26,045,530	1.02	780	5.47
Mobile Home Park	23,578,691	0.93	23	0.16
2-4 Residential Units	95,600,210	3.76	509	3.57
5+ Residential Units/Apartments	71,146,015	2.79	122	0.85
Vacant Residential	<u>33,134,810</u>	<u>1.30</u>	<u>606</u>	<u>4.25</u>
Subtotal Residential	\$1,722,807,157	67.67%	12,192	85.44%
Total	\$2,545,937,536	100.00%	14,270	100.00%

(1) Local secured assessed valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

Assessed Valuation of Single-Family Residential Parcels. The tables below show the breakdown of the assessed valuations of improved single-family residential parcels in the Former High School District and the Improvement District for fiscal year 2020-21, including the median and average assessed value per parcel.

**FORMER HIGH SCHOOL DISTRICT
Per Parcel 2020-21 Assessed Valuation of Single Family Homes**

	<u>No. of Parcels</u>	<u>2020-21 Assessed Valuation</u>	<u>Average Assessed Valuation</u>	<u>Median Assessed Valuation</u>
Single Family Residential	1,452	\$230,826,386	\$158,971	\$117,737

<u>2020-21 Assessed Valuation</u>	<u>No. of Parcels ⁽¹⁾</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$24,999	50	3.444%	3.444%	\$ 893,152	0.387%	0.387%
\$25,000 - \$49,999	148	10.193	13.636	5,758,411	2.495	2.882
\$50,000 - \$74,999	200	13.774	27.410	12,548,204	5.436	8.318
\$75,000 - \$99,999	202	13.912	41.322	17,693,434	7.665	15.983
\$100,000 - \$124,999	169	11.639	52.961	18,818,693	8.153	24.136
\$125,000 - \$149,999	108	7.438	60.399	14,731,102	6.382	30.518
\$150,000 - \$174,999	88	6.061	66.460	14,259,897	6.178	36.695
\$175,000 - \$199,999	73	5.028	71.488	13,704,079	5.937	42.632
\$200,000 - \$224,999	58	3.994	75.482	12,336,533	5.345	47.977
\$225,000 - \$249,999	69	4.752	80.234	16,348,980	7.083	55.060
\$250,000 - \$274,999	58	3.994	84.229	15,125,328	6.553	61.612
\$275,000 - \$299,999	31	2.135	86.364	8,835,688	3.828	65.440
\$300,000 - \$324,999	53	3.650	90.014	16,525,776	7.159	72.600
\$325,000 - \$349,999	22	1.515	91.529	7,412,383	3.211	75.811
\$350,000 - \$374,999	36	2.479	94.008	13,027,289	5.644	81.455
\$375,000 - \$399,999	17	1.171	95.179	6,536,394	2.832	84.286
\$400,000 - \$424,999	15	1.033	96.212	6,182,387	2.678	86.965
\$425,000 - \$449,999	13	0.895	97.107	5,638,503	2.443	89.408
\$450,000 - \$474,999	10	0.689	97.796	4,605,998	1.995	91.403
\$475,000 - \$499,999	5	0.344	98.140	2,429,845	1.053	92.456
\$500,000 and greater	<u>27</u>	<u>1.860</u>	100.000	<u>17,414,310</u>	<u>7.544</u>	100.000
	<u>1,452</u>	<u>100.000%</u>		<u>\$230,826,386</u>	<u>100.000%</u>	

(1) Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

IMPROVEMENT DISTRICT
Per Parcel 2020-21 Assessed Valuation of Single Family Homes

Single Family Residential	No. of Parcels	2020-21 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
	9,819	\$1,436,513,373	\$146,299	\$127,458

2020-21 Assessed Valuation	No. of Parcels ⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$24,999	207	2.108%	2.108%	\$3,787,905	0.264%	0.264%
\$25,000 - \$49,999	699	7.119	9.227	26,987,973	1.879	2.142
\$50,000 - \$74,999	1,040	10.592	19.819	65,566,990	4.564	6.707
\$75,000 - \$99,999	1,291	13.148	32.967	113,001,018	7.866	14.573
\$100,000 - \$124,999	1,524	15.521	48.488	171,739,143	11.955	26.528
\$125,000 - \$149,999	1,211	12.333	60.821	165,317,076	11.508	38.037
\$150,000 - \$174,999	953	9.706	70.527	154,679,440	10.768	48.804
\$175,000 - \$199,999	862	8.779	79.305	161,009,769	11.208	60.013
\$200,000 - \$224,999	675	6.874	86.180	142,220,723	9.900	69.913
\$225,000 - \$249,999	395	4.023	90.203	93,493,927	6.508	76.421
\$250,000 - \$274,999	261	2.658	92.861	68,377,150	4.760	81.181
\$275,000 - \$299,999	142	1.446	94.307	40,704,133	2.834	84.015
\$300,000 - \$324,999	127	1.293	95.600	39,562,920	2.754	86.769
\$325,000 - \$349,999	89	0.906	96.507	29,942,264	2.084	88.853
\$350,000 - \$374,999	75	0.764	97.271	27,211,825	1.894	90.748
\$375,000 - \$399,999	56	0.570	97.841	21,620,730	1.505	92.253
\$400,000 - \$424,999	43	0.438	98.279	17,736,051	1.235	93.487
\$425,000 - \$449,999	41	0.418	98.696	17,860,607	1.243	94.731
\$450,000 - \$474,999	29	0.295	98.992	13,403,178	0.933	95.664
\$475,000 - \$499,999	26	0.265	99.257	12,660,553	0.881	96.545
\$500,000 and greater	73	0.743	100.000	49,629,998	3.455	100.000
	9,819	100.000%		\$1,436,513,373	100.000%	

(1) Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

Reassessments and Appeals of Assessed Value

There are general means by which assessed values can be reassessed or appealed that could adversely impact property tax revenues within the Former High School District and Improvement District.

Appeals may be based on Proposition 8 of November 1978, which requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution" in APPENDIX A.

Under California law, property owners may apply for a Proposition 8 reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the County board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value.

Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. These

reductions are subject to yearly reappraisals and are adjusted back to their original values, adjusted for inflation, when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

Proposition 8 reductions may also be unilaterally applied by the County Assessor. The District cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers or by reductions initiated by the County Assessor. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Bonds to increase accordingly, so that the fixed debt service on the Bonds (and other outstanding general obligation bonds, if any) may be paid.

Tax Rates

The tables below summarize the total *ad valorem* tax rates levied by all taxing entities in a representative tax rate area (TRA 139-001) during fiscal years 2016-17 through 2020-21.

**FORMER HIGH SCHOOL DISTRICT
Typical Tax Rates per \$100 of Assessed Valuation
(TRA 139-001)⁽¹⁾
Fiscal Years 2016-17 through 2020-21**

	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
General Tax Rate	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000
Porterville Unified School District					
Former Strathmore Union HSD Bonds	.0475	.0400	.0350	.0350	.0300
Total Tax Rate	\$1.0475	\$1.0400	\$1.0350	\$1.0350	\$1.0300

(1) 2020-21 assessed valuation for TRA 139-001 is \$95,473,562, which is 16.01% of the Former High School District's total assessed valuation.

Source: California Municipal Statistics, Inc.

IMPROVEMENT DISTRICT
Typical Tax Rates per \$100 of Assessed Valuation
(TRA 4-000)⁽¹⁾
Fiscal Years 2016-17 through 2020-21

	2016-17	2017-18	2018-19	2019-20	2020-21
General Tax Rate	\$1.000000	\$1.000000	\$1.000000	\$1.000000	\$1.000000
Kern Community College District SFID	.013180	.014412	.012338	.014243	.013073
Kern Community College District SRID	--	.021837	.021330	.018785	.020778
Porterville Unified School District SFID	.061600	.061600	.069900	.068600	.065800
Total Tax Rate	\$1.074780	\$1.097849	\$1.103568	\$1.101628	\$1.099651

(1) 2020-21 assessed valuation for TRA 4-000 is \$965,776,623, which is 35.65% of the Improvement District's total assessed valuation.
Source: California Municipal Statistics, Inc.

Tax Levies and Delinquencies

No Teeter Plan. From June 1993 through June 2009, the County and its political subdivisions operated under the Alternate Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “**Teeter Plan**”), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. The Teeter Plan is an alternative procedure for distribution of certain property tax and assessment levies on the secured roll. In June 2009, in order to address cash flow issues and other financial matters, the County discontinued the Teeter Plan, and consequently the Teeter Plan is not available to local taxing entities within the County, such as the District. The District's receipt of property taxes collected in the County is therefore subject to delinquencies.

The following tables show secured tax charges and delinquencies for secured property in the Former High School District and the Improvement District for fiscal years 2013-14 through 2019-20.

FORMER HIGH SCHOOL DISTRICT
Secured Tax Charges and Delinquencies
Fiscal Years 2013-14 through 2019-20

Fiscal Year	Secured Tax Charge ⁽¹⁾	Amount Delinquent June 30	% Delinquent June 30
2013-14	\$209,765.63	\$6,390.80	3.05%
2014-15	237,723.24	6,283.57	2.64
2015-16	235,554.71	6,941.61	2.95
2016-17	218,094.15	8,557.69	3.92
2017-18	201,616.68	6,617.42	3.28
2018-19	183,742.44	6,059.16	3.30
2019-20	189,235.71	5,884.54	3.11

(1) Debt service levy only.
Source: California Municipal Statistics, Inc.

IMPROVEMENT DISTRICT
Secured Tax Charges and Delinquencies
Fiscal Years 2013-14 through 2019-20

Fiscal Year	Secured Tax Charge ⁽¹⁾	Amount Delinquent June 30	% Delinquent June 30
2013-14	\$1,142,349.98	\$29,612.97	2.59%
2014-15	1,208,800.48	44,544.31	3.69
2015-16	1,278,133.00	31,830.64	2.49
2016-17	1,333,336.78	37,914.55	2.84
2017-18	1,385,282.74	40,135.92	2.90
2018-19	1,624,964.66	39,895.50	2.46
2019-20	1,667,290.01	42,547.89	2.55

(1) Debt service levy only.

Source: *California Municipal Statistics, Inc.*

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Major Taxpayers

The following tables show the 20 largest taxpayers in the Former High District and the Improvement District as determined by their secured assessed valuations in fiscal year 2020-21. The Former High School District and the Improvement District cannot determine from County assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below. A large concentration of ownership in a single individual or entity results in a greater amount of tax collections which are dependent upon that property owner's ability or willingness to pay property taxes.

FORMER HIGH SCHOOL DISTRICT Largest 2020-21 Local Secured Taxpayers

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2020-21 Assessed Valuation</u>	<u>% of Total</u> ⁽¹⁾
1.	Porterville Citrus Inc.	Industrial – Food Processing	\$ 9,460,651	1.65%
2.	The Villa Park Orchards Association	Industrial – Food Processing	9,168,017	1.60
3.	ACMPC California 5 LLC	Agricultural	6,288,487	1.10
4.	Global Ag Properties II USA LLC	Agricultural	6,105,395	1.07
5.	Arlene Pinheiro	Agricultural	5,916,129	1.03
6.	Charles B. & Nancy Pitigliano	Agricultural	5,817,398	1.02
7.	Arlene Vander Tuig	Agricultural	5,711,897	1.00
8.	Craig and Jodi Bowser	Agricultural	5,150,520	0.90
9.	Rynsburger Family LLC	Agricultural	5,113,835	0.89
10.	Guthrie Ranches	Agricultural	4,960,805	0.87
11.	Cornell and Annette Therese Kasbergen	Agricultural	4,096,248	0.72
12.	Vincent E. and Pamela K. Sola	Agricultural	3,996,538	0.70
13.	Road 256 Farm LLC	Agricultural	3,550,453	0.62
14.	Parvinder Hundal	Agricultural	3,175,874	0.55
15.	Jose and Josefina Mandujano	Agricultural	3,134,450	0.55
16.	Mark R. and Elizabeth A. Heuer	Agricultural	2,955,122	0.52
17.	Albert P. Vera	Agricultural	2,906,920	0.51
18.	Alberto Carranza	Agricultural	2,753,634	0.48
19.	Nallathamby Thayapran	Agricultural	2,683,432	0.47
20.	Clarence H. Hill	Agricultural	<u>2,410,720</u>	<u>0.42</u>
			<u>\$95,356,525</u>	<u>16.65%</u>

(1) 2020-21 Local Secured Assessed Valuation: \$572,632,118
Source: California Municipal Statistics, Inc.

IMPROVEMENT DISTRICT
Largest 2020-21 Local Secured Taxpayers

	<u>Property Owner</u>	<u>Primary Land Use</u>	<u>2020-21 Assessed Valuation</u>	<u>% of Total ⁽¹⁾</u>
1.	Wal-Mart Store East LP	Industrial	\$ 96,472,002	3.79%
2.	Target Corporation	Shopping Center	19,819,286	0.78
3.	Porterville Investments 2005 LP	Commercial	13,491,242	0.53
4.	Lowes HIW Inc.	Commercial	13,233,800	0.52
5.	Limoneira Co.	Agricultural	13,186,237	0.52
6.	Henderson-Prospect Partners LP	Shopping Center	10,589,340	0.42
7.	HD Development of Maryland Inc.	Commercial	9,795,768	0.38
8.	LTJ Porterville Delaware LLC	Industrial	9,656,993	0.38
9.	Randall Carroll	Residential Properties	8,808,658	0.35
10.	Fox Hollow Apartments LLC	Apartments	8,640,406	0.34
11.	Riverwalk Marketplace Investor LP	Shopping Center	8,570,688	0.34
12.	Tulare County Property LLC	Assisted Living Facility	8,051,753	0.32
13.	Booth Ranches	Agricultural	7,969,501	0.31
14.	Thomas & Deborah O'Sullivan	Residential Properties	7,443,180	0.29
15.	Del Mesa Farms	Industrial	7,222,142	0.28
16.	Joe S. & Marie L. Cardoso	Apartments	7,214,722	0.28
17.	International Settlement Holdings Corp.	Commercial	6,886,693	0.27
18.	Jasvir S. & Paramjit K. Dhaliwal	Hotel/Motel	6,802,897	0.27
19.	Beckman Coulter Inc.	Industrial	6,605,495	0.26
20.	Golden Hills Porterville LP	Mobile Home Park	<u>6,471,772</u>	<u>0.25</u>
			<u>\$276,932,575</u>	<u>10.88%</u>

(1) 2020-21 Local Secured Assessed Valuation: \$2,545,937,536.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth below are direct and overlapping debt reports (the “**Debt Reports**”) prepared by California Municipal Statistics, Inc. for debt issued as of February 1, 2021. The Debt Reports are included for general information purposes only. Neither the District, Former High School District, the Improvement District nor the Underwriter has reviewed the Debt Reports for completeness or accuracy and makes no representation in connection therewith.

The Debt Reports generally include long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the Former High School District and the Improvement District in whole or in part. Such long-term obligations generally are not payable from revenues of the Former High School District or the Improvement District (except as indicated) nor are they necessarily obligations secured by land within the Former High School District or the Improvement District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

FORMER HIGH SCHOOL DISTRICT Statement of Direct and Overlapping Bonded Debt (Debt Issued as of February 1, 2021)

2020-21 Assessed Valuation: \$596,472,502

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 2/1/21</u>
Porterville Unified School District –		
Former Strathmore Union High School District	100.000%	<u>\$1,555,000</u> ⁽¹⁾
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$1,555,000
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Tulare County General Fund Obligations	1.547%	\$ 461,006
Tulare County Pension Obligation Bonds	1.547	3,602,576
Tulare County Office of Education Certificates of Participation	1.547	587,319
Kern Community College District Certificates of Participation	0.559	154,228
Kern Community College District Benefit Obligations	0.559	422,828
Porterville Unified School District Certificates of Participation	8.848	2,951,778
City of Porterville Certificates of Participation	0.010	<u>1,857</u>
TOTAL OVERLAPPING GENERAL FUND DEBT		\$8,181,592
 COMBINED TOTAL DEBT		 \$9,736,592 ⁽²⁾

Ratios to 2020-21 Assessed Valuation:

Direct Debt (\$1,555,000)	0.26%
Total Direct and Overlapping Tax and Assessment Debt	0.26%
Combined Total Debt	1.63%

(1) Excludes the Bonds to be sold and includes the Refunded Bonds.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

**IMPROVEMENT DISTRICT
Statement of Direct and Overlapping Bonded Debt
(Debt Issued as of February 1, 2021)**

2020-21 Assessed Valuation: \$ 2,709,112,197

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 2/1/21</u>	
Kern Community College District Safety Repair & Improvement District	2.831%	\$ 3,022,406	
Kern Community College District School Facilities Improvement District	2.814	3,077,199	
Porterville Unified School District School Facilities Improvement District	100.000	<u>16,595,506</u>	(1)
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$22,695,111	
<u>OVERLAPPING GENERAL FUND DEBT:</u>			
Tulare County Certificates of Participation	7.025%	\$ 2,093,450	
Tulare County Pension Obligation Bonds	7.025	16,359,469	
Tulare County Office of Education Certificates of Participation	7.025	2,667,041	
Kern Community College District General Fund Obligations	2.538	700,234	
Kern Community College District Benefit Obligation Bonds	2.538	1,919,743	
Porterville Unified School District Certificates of Participation	40.187	13,406,769	
City of Porterville General Fund Obligations	69.369	<u>12,878,355</u>	
TOTAL OVERLAPPING GENERAL FUND DEBT		\$50,025,061	
<u>OVERLAPPING TAX INCREMENT DEBT (Successor Agency):</u>		\$6,560,000	
COMBINED TOTAL DEBT		\$79,280,172	(2)

Ratios to 2020-21 Assessed Valuation:

Direct Debt (\$16,595,506)	0.61%
Total Direct and Overlapping Tax and Assessment Debt	0.84%
Combined Total Debt	0.84%

Ratio to Redevelopment Incremental Valuation (\$216,886,391):

Total Overlapping Tax Increment Debt	3.02%
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(1) Excludes the Bonds to be sold and includes the Refunded Bonds.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

BOND INSURANCE

The following information has been furnished by the Bond Insurer for use in this Official Statement. No representation is made as to the accuracy or completeness of this information, or the absence of material adverse changes therein at any time subsequent to the date hereof. Reference is made to APPENDIX G for a specimen of the Policy.

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“**BAM**” or the “**Bond Insurer**”) will issue its Municipal Bond Insurance Policy for the Bonds (the “**Policy**”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX G to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation, and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“**S&P**”). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM. BAM’s total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2020 and as prepared in accordance with statutory accounting

practices prescribed or permitted by the New York State Department of Financial Services were \$485.4 million, \$160.7 million and \$324.7 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from the Bond Insurer

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at www.buildamerica.com/videos. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

TAX MATTERS

Tax Exemption

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "bond premium" for purposes of federal income taxes and State of California personal income taxes.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Under the Tax Code, bond premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of bond premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of bond premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant

interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

California Tax Status. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Other Tax Considerations. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinions, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the Bonds, or as to the consequences of owning or receiving interest on the Bonds, as of any future date. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the Bonds, the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the Bonds.

Forms of Opinions. A copy of the proposed forms of opinions of Bond Counsel is attached hereto as APPENDIX D.

CERTAIN LEGAL MATTERS

Legality for Investment

Under provisions of the California Financial Code, the Bonds are legal investments for commercial banks in California to the extent that the Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and under provisions of the California Government Code, the Bonds are eligible to secure deposits of public moneys in California.

Absence of Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened that (i) questions the political existence of the District, (ii) contests the District's ability to receive ad valorem taxes or to collect other revenues or (iii) contests the District's ability to issue and sell the Bonds.

The District is routinely subject to lawsuits and claims. In the opinion of the District, the aggregate amount of the uninsured liabilities of the District under these lawsuits and claims will not materially affect the financial position or operations of the District. The District may be or may become a party to lawsuits and claims which are unrelated to the Bonds or actions taken with respect to the Bonds and which have arisen in the normal course of operating the District, including as a result of the COVID-19 pandemic. The District maintains certain insurance policies which provide coverage under certain circumstances and with respect to certain types of incidents. The District cannot predict what types of claims may arise in the future.

Compensation of Certain Professionals

Payment of the fees and expenses of Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel to the District, Kutak Rock LLP, as counsel to the Underwriter, Isom Advisors, a Division of Urban Futures, Inc., as financial advisor to the District, is contingent upon issuance of the Bonds.

CONTINUING DISCLOSURE

The District will execute a Continuing Disclosure Certificate in connection with the issuance of the Bonds in the form attached hereto as APPENDIX E. The District has covenanted therein, for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District to the Municipal Securities Rulemaking Board (an “**Annual Report**”) not later than nine months after the end of the District's fiscal year (which currently is June 30), commencing March 31, 2022 with the report for the 2020-21 Fiscal Year, and to provide notices of the occurrence of certain enumerated events. Such notices will be filed by the District with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in an Annual Report or the notices of enumerated events is set forth in APPENDIX E. These covenants have been made in order to assist the Underwriter with complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “**Rule**”).

The District, on behalf of itself, the Former High School District, and the Improvement District, has existing disclosure undertakings that have been made pursuant to the Rule in connection with the District's outstanding debt. See information in APPENDIX A under the

heading “DISTRICT FINANCIAL INFORMATION – Existing Debt Obligations.” In the previous five years, the District failed to timely file its fiscal year 2014-15 audited financial statements and operating data with respect to certain of its outstanding issuances with earlier reporting dates, though such information was timely filed with respect to other undertakings. In order to ensure compliance with the undertaking to be entered into in connection with the Bonds, the District has engaged Isom Advisors, a Division of Urban Futures, Inc., to serve as its dissemination agent.

RATINGS

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“**S&P**”) is expected to assign its rating of “AA” to the Bonds, based on the understanding that the Bond Insurer will deliver its Policy with respect to the Bonds. See “BOND INSURANCE.”

Additionally, S&P has assigned an underlying rating of “A+” to the Bonds. Such ratings reflect only the view of S&P and an explanation of the significance of such ratings may be obtained only from S&P. The District has provided certain additional information and materials to S&P (some of which does not appear in this Official Statement). There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds are being purchased by Raymond James & Associates, Inc. (the “**Underwriter**”).

The Underwriter has agreed to purchase the Series A Bonds at a price of \$1,416,212.30 which is equal to the initial principal amount of the Series A Bonds of \$1,270,000, plus original issue premium of \$153,197.30, less an Underwriter’s discount of \$6,985.00.

The Underwriter has agreed to purchase the Series B Bonds at a price of \$2,589,320.05 which is equal to the initial principal amount of the Series B Bonds of \$2,445,000, plus original issue premium of \$157,767.55, less an Underwriter’s discount of \$13,447.50.

The purchase contract relating to Bonds provides that the Underwriter will purchase all of the Bonds (if any are purchased), and provides that the Underwriter’s obligation to purchase is subject to certain terms and conditions, including the approval of certain legal matters by counsel.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed by the Underwriter.

ADDITIONAL INFORMATION

The discussions herein about the Bond Resolutions and the Continuing Disclosure Certificate are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to such documents. Copies of these documents mentioned are available from the District.

References are also made herein to certain documents and reports relating to the District; such references are brief summaries and do not purport to be complete or definitive. Copies of such documents are available upon written request to the District.

EXECUTION

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Bonds.

The execution and delivery of this Official Statement have been duly authorized by the District.

PORTERVILLE UNIFIED SCHOOL DISTRICT

By: */s/ Nate Nelson*
 Superintendent

APPENDIX A

GENERAL AND FINANCIAL INFORMATION FOR THE PORTERVILLE UNIFIED SCHOOL DISTRICT

The information in this and other sections concerning the District's operations, operating budget and financial information is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Bonds is payable from the general fund of the District. The Series A Bonds are payable solely from the proceeds of an ad valorem tax required to be levied by the County on taxable property within the Former High School District and the Series B Bonds are payable by the District solely from the proceeds of an ad valorem property tax required to be levied by the County on taxable property within the Improvement District in amounts sufficient for the payment thereof. See "SECURITY FOR THE BONDS" in the front half of the Official Statement.

General Information

The Porterville Unified School District serves the communities of Porterville, Springville, Terra Bella, Ducor, Poplar and Woodville. The District encompasses approximately 2,800 square miles and currently operates ten elementary schools, four middle schools, eight high schools, two alternative schools and an adult education program. In addition, there are three dependent charter schools within the District. The 2020-21 District enrollment is budgeted for approximately 14,415 students.

Administration

The District is governed by a seven-member Board of Trustees (the "**Board**"), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between three and four available positions. Current members of the Board, together with their office and the date their term expires, are listed below.

BOARD OF TRUSTEES Porterville Unified School District

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Felipe A. Martinez	President	December 2022
James Carson	Vice President	December 2022
Juan Figueroa, Jr.	Clerk	December 2024
Donna Berry	Trustee	December 2024
Lillian Durbin	Trustee	December 2022
Pete Lara, Jr.	Trustee	December 2022
Tom Velasquez	Trustee	December 2024

Superintendent and Administrative Personnel. The Superintendent of the District, appointed by the Board, is responsible for management of the day-to-day operations and

supervises the work of other District administrators. Nate Nelson is the District Superintendent and Brad Rohrbach is the Assistant Superintendent, Business Services.

Recent Enrollment Trends

The following table shows recent enrollment history for the District with projections for fiscal year 2020-21.

ANNUAL ENROLLMENT⁽¹⁾
Fiscal Years 2014-15 through 2020-21
Porterville Unified School District

School Year	Enrollment	% Change
2014-15	14,119	--%
2015-16	14,109	(0.1)
2016-17	14,368	1.8
2017-18	14,429	0.4
2018-19	14,205	(1.6)
2019-20	14,514	2.2
2020-21 ⁽²⁾	14,415	(0.7)

(1) Includes dependent charter school enrollment.

(2) Budgeted.

Source: California Department of Education for 2014-15 through 2019-20; Porterville Unified School District for 2020-21.

District’s Response to COVID-19 Emergency

In March, 2020, the District closed its schools for on-site learning to reduce the potential for community transmission of COVID-19. The closure was extended through the end of the academic school year, and the 2020-21 school year has begun in an at-home learning format. On August 28, 2020, the Governor released a new system called “Blueprint for a Safer California” (the “**Blueprint**”), which places the State’s 58 counties into four color-coded tiers – purple, red, orange, and yellow, in descending order of severity – based on the number of new daily cases of COVID-19 and the percentage of positive tests. Under the State’s “Blueprint for a Safer California,” counties must spend at least three weeks in each tier before advancing to the next one. School districts located in counties in the purple tier can reopen elementary schools if the local health department provides a waiver. The County is currently assigned to the red tier, which is the second most restrictive tier, and therefore, in-person instruction is permitted.

Under the Blueprint, schools can reopen for in-person instruction in accordance with the California Department of Public Health’s “COVID-19 and Reopening In-Person Instruction Framework & Public Health Guidance for K-12 Schools in California, 2020-2021 School Year” (the “**Guidelines**”). The Guidelines became effective January 25, 2021, were most recently updated on February 22, 2021, and consolidate and update prior State public health guidance and orders related to schools.

The District received \$20.4 million in funds to address costs which may have resulted from the COVID-19 emergency, and expects to receive an additional approximately \$90 million in 2021. Because the District is funded pursuant to the State’s Local Control Funding Formula (the “LCFF”), the District’s main operating revenues will be impacted by the State’s financial position in the current and future fiscal years. As a result of the COVID-19 emergency, the State’s revenues are predicted to decline sharply from the original budget for the current fiscal year, and

in the near future. A corresponding decline in education funding is expected, but the extent of the decline, and whether additional federal funding will be available to school district, is not known at this time. See herein under the heading “STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS” for information on the State’s current and proposed budgets, and commentary provided by the LAO on the State Department of Finance on the State’s fiscal outlook.

The District has incurred costs that were not anticipated at the time of its 2019-20 Budget as a result of COVID-19, such as the costs of mitigation measures and of implementing distance learning. However, funding under the CARES Act and other cost-saving impacts of not operating site-based learning, such as reductions in transportation costs, fuel and electricity costs, provide offsets to those expenses. With respect to pension costs, the District cannot currently predict if the COVID-19 emergency will have a material impact on its required employer contributions which could arise if the unfunded actuarial accrued liabilities of PERS and STRS materially increase. The District maintains reserves for economic uncertainties, which exceed the State’ required minimum reserve. See “DISTRICT FINANCIAL INFORMATION – District Budget and Interim Financial Reporting - District Reserves.”

The impacts of the COVID-19 emergency on global, State-wide and local economies, which could impact District operations and finances, and local property values are unknown and cannot be predicted by the District.

Employee Relations

The District has 706 certificated, 578 classified, and 112 management full-time equivalent positions. Two unions represent District employees. The following table identifies the number of employees covered and the current status of the contracts with the bargaining units.

**BARGAINING UNITS
Porterville Unified School District**

Bargaining Unit	Type of Employees Covered	Current Contract Expiration Date
Porterville Educators Association	Certificated	June 30, 2022
California School Employees Association	Classified	June 30, 2021

Source: Porterville Unified School District.

DISTRICT FINANCIAL INFORMATION

Education Funding Generally

School districts in California receive operating income primarily from two sources: the State funded portion, which is derived from the State’s general fund, and a locally funded portion, being the district’s share of the one percent general *ad valorem* tax levy authorized by the California Constitution. As a result, decreases or deferrals in education funding by the State could significantly affect a school district’s revenues and operations.

From 1973-74 to 2012-13, California school districts operated under general purpose revenue limits established by the State Legislature. In general, revenue limits were calculated for

each school district by multiplying (1) the average daily attendance (“**ADA**”) for such district by (2) a base revenue limit per unit of ADA. The revenue limit calculations were adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type. Funding of the District’s revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Generally, the State apportionments amounted to the difference between the District’s revenue limit and its local property tax revenues. Districts which had local property tax revenues which exceeded its revenue limit entitlement were deemed “Basic Aid Districts” and received full funding from local property tax revenues, and were entitled to keep those tax revenues which exceeded its revenue limit funding entitlement.

The fiscal year 2013-14 State budget package (the “**2013-14 State Budget**”) replaced the previous K-12 finance system with a formula known as the Local Control Funding Formula (the “**LCFF**”). Under the LCFF, revenue limits and most state categorical programs were eliminated. School districts instead receive funding based on the demographic profile of the students they serve and gain greater flexibility to use these funds to improve outcomes of students. The LCFF creates funding targets based on student characteristics. For school districts and charter schools, the LCFF funding targets consist of grade span-specific base grants plus supplemental and concentration grants that reflect student demographic factors. The LCFF includes the following components:

- A base grant for each local education agency per unit of ADA, which varies with respect to different grade spans. The base grant is \$2,375 more than the average revenue limit provided prior to LCFF implementation. The base grants will be adjusted upward each year to reflect cost-of-living increases. In addition, grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in grades K-3 and the provision of career technical education in grades 9-12.
- A 20% supplemental grant for English learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.
- An additional concentration grant of up to 50% of a local education agency’s base grant, based on the number of English learners, students from low-income families and foster youth served by the local agency that comprise more than 55% of enrollment.
- An economic recovery target to ensure that almost every local education agency receives at least their pre-recession funding level, adjusted for inflation, at full implementation of the LCFF.

The LCFF was implemented for fiscal year 2013-14 and was phased in gradually. Beginning in fiscal year 2013-14, an annual transition adjustment was required to be calculated for each school district, equal to each district’s proportionate share of the appropriations included in the State budget based on the percentage of each district’s students who are low-income, English learners, and foster youth (“**Targeted Students**”), to close the gap between the prior-year funding level and the target allocation at full implementation of LCFF. In each year, districts will have the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district’s funding gap.

Funding levels used in the LCFF target entitlement calculations, not including any supplemental or concentration grant funding entitlements, for fiscal year 2019-20 are set forth in the following table. Full implementation occurred in fiscal year 2018-19 in connection with adoption of the State Budget for said fiscal year.

**Fiscal Year 2020-21 Base Grant⁽¹⁾ Under LCFF by Grade Span
(Targeted Base Grant)**

<u>Entitlement Factors per ADA</u>	<u>K-3</u>	<u>4-6</u>	<u>7-8</u>	<u>9-12</u>
2019-20 Base Grants	\$7,702	\$7,818	\$8,050	\$9,329
Statutory COLA (2.31%)	\$178	\$181	\$186	\$215
2020-21 Base Grant Before Deficit Factor	\$7,880	\$7,999	\$8,236	\$9,544
Deficit Factor Impact	(\$178)	(\$181)	(\$186)	(\$215)
2020-21 Base Grants After Deficit Factor	\$7,702	\$7,818	\$8,050	\$9,329
Grade Span Adjustment Factors	10.4%	--	--	2.6%
Grade Span Adjustment Amounts	\$801	--	--	\$243
2020-21 Adjusted Base Grants ⁽²⁾	\$8,503	\$7,818	\$8,050	\$9,572

(1) Does not include supplemental and concentration grant funding entitlements.

(2) Reflects 0% cost of living adjustment from fiscal year 2019-20.

The new legislation included a “hold harmless” provision which provided that a district or charter school would maintain total revenue limit and categorical funding at least equal to its 2012-13 level, unadjusted for changes in ADA or cost of living adjustments.

The LCFF includes an accountability component. Districts are required to increase or improve services for English language learners, low income, and foster youth students in proportion to supplemental and concentration grant funding received. All school districts, county offices of education, and charter schools are required to develop and adopt local control and accountability plans, which identify local goals in areas that are priorities for the State, including pupil achievement, parent engagement, and school climate.

County superintendents review and provide support to the districts under their jurisdiction, and the Superintendent of Public Instruction performs a corresponding role for county offices of education. In addition, the 2013-14 State Budget created the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. Under the LCFF and related legislation, the State will continue to measure student achievement through statewide assessments, produce an index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

District Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts.

District accounting is organized on the basis of funds, with each group consisting of a separate accounting entity. The major fund classification is the general fund which accounts for

all financial resources not requiring a special fund placement. The District's fiscal year begins on July 1 and ends on June 30. For more information on the District's basis of accounting and fund accounting, see Note 1 of APPENDIX B to the Official Statement.

District expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

The Governmental Accounting Standards Board ("**GASB**") published its Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include (i) Management's Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting, (iii) fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting and (iv) required supplementary information.

Financial Statements

General. The District's general fund finances the legally authorized activities of the District for which restricted funds are not provided. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. The District's June 30, 2020, Audited Financial Statements were prepared by Eide Bailly LLP, Fresno, California and are attached hereto as APPENDIX B. Audited financial statements are on file with the District and available for public inspection at the Office of the Assistant Superintendent, Business Services, Porterville Unified School District, 600 West Grand Avenue, Porterville, California; Telephone (559) 793-2400. The District has not requested, and the auditor has not provided, any review or update of such Financial Statements in connection with inclusion in this Official Statement. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District. This District may impose a charge for copying, mailing and handling.

General Fund Revenues, Expenditures and Changes in Fund Balance. The following tables show the audited income and expense statements for the District for fiscal years 2015-16 through 2019-20.

GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Years 2015-16 through 2019-20 (Audited)
Porterville Unified School District ⁽¹⁾

<u>Revenues</u>	<u>Audited 2015-16</u>	<u>Audited 2016-17</u>	<u>Audited 2017-18</u>	<u>Audited 2018-19</u>	<u>Audited 2019-20</u>
LCFF sources	\$124,568,150	\$132,943,641	\$137,088,021	\$144,282,968	\$153,362,149
Federal Revenues	12,727,367	12,187,707	11,347,148	11,905,721	11,832,940
Other state revenues	19,655,219	15,137,761	18,243,110	23,801,580	16,460,216
Other local revenues	5,975,816	4,772,469	4,356,748	6,492,661	7,025,454
Total Revenues	162,936,552	165,041,578	171,035,027	186,482,930	188,680,759
<u>Expenditures</u>					
Instruction	84,718,876	88,633,173	92,486,670	98,211,103	95,954,842
Instruction-related services:					
Supervision of instruction	9,556,406	10,393,927	9,815,512	10,373,253	8,314,717
Library, media and technology	2,158,557	2,317,699	2,229,615	2,729,417	2,333,479
School site administration	7,373,943	8,150,859	8,586,289	9,188,953	9,193,291
Pupil services:					
Home-to-school transportation	2,330,766	1,987,667	2,284,293	1,923,457	1,628,315
Food Services	14,385	6,710	6,902	1,275	71,888
All other pupil services	9,759,355	9,934,874	10,931,406	13,340,560	13,436,157
General administration:					
Data processing	424,821	462,492	1,049,169	724,674	1,253,290
All other general administration	4,273,283	4,498,226	4,643,360	4,989,973	4,935,440
Plant services	15,564,381	16,986,763	18,162,271	19,722,610	19,134,465
Facility acquisition and construction	516,485	2,173,731	1,321,746	390,228	393,021
Ancillary Services	2,678,936	3,075,463	3,466,995	3,079,391	3,081,380
Community services	2,185,502	2,326,045	2,589,663	2,910,264	2,692,768
Other outgo	1,892,134	1,944,561	2,113,706	2,013,636	2,832,975
Debt service:					
Principal	367,500	385,000	402,500	--	--
Interest and other	46,314	29,191	9,459	3,593	7,166
Total Expenditures	143,863,954	153,306,381	160,099,556	169,602,387	165,263,194
Excess of Revenues Over/(Under) Expenditures	19,072,598	11,735,197	10,935,471	16,880,543	23,417,565
<u>Other Financing Sources (Uses)</u>					
Transfers in	--	126,182	--	400,168	2,000,000
Other sources	135,984	--	--	--	--
Transfers out ⁽²⁾	(11,540,897)	(18,213,475)	(7,820,244)	(11,077,334)	(12,775,270)
Total Other Financing Sources (Uses)	(11,404,895)	(18,087,293)	(7,820,244)	(10,677,166)	(10,775,270)
Net change in fund balance	7,667,703	(6,352,096)	3,115,227	6,203,377	12,642,295
Fund Balance, July 1	27,288,932	34,956,635	28,604,539	31,719,766	37,923,143
Fund Balance, June 30	\$34,956,635	\$28,604,539	\$31,719,766	\$37,923,143	\$50,565,438

(1) Columns may not sum to totals due to rounding.

(2) Represents, generally, transfers for modernization, maintenance and construction projects, and debt service payments for general fund indebtedness.

Source: District Audited Financial Reports.

District Budget and Interim Financial Reporting

Budgeting and Interim Reporting Procedures. State law requires school districts to maintain a balanced budget in each fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

Under current law, a school district governing board must adopt and file with the county superintendent of schools a tentative budget by July 1 in each fiscal year. The District is under the jurisdiction of the Tulare County Superintendent of Schools (the "**County Superintendent**").

The County Superintendent must review and approve or disapprove the budget no later than August 15. The County Superintendent is required to examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance with the established standards. If the budget is disapproved, it is returned to the District with recommendations for revision. The District is then required to revise the budget, hold a public hearing thereon, adopt the revised budget and file it with the County Superintendent no later than September 8. Pursuant to State law, the County Superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved. After approval of an adopted budget, the school district's administration may submit budget revisions for governing board approval.

Subsequent to approval, the County Superintendent will monitor each district under its jurisdiction throughout the fiscal year pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If the County Superintendent determines that a district cannot meet its current or subsequent year obligations, the County Superintendent will notify the district's governing board of the determination and may then do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the County Superintendent will so notify the State Superintendent of Public Instruction, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) after also consulting with the district's board, develop and impose revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the County Superintendent may not abrogate any provision of a collective bargaining agreement that was entered into prior to the date upon which the County Superintendent assumed authority.

A State law adopted in 1991 ("**A.B. 1200**") imposed additional financial reporting requirements on school districts, and established guidelines for emergency State aid apportionments. Under the provisions of A.B. 1200, each school district is required to file interim certifications with the County Superintendent (on December 15, for the period ended October 31, and by mid-March for the period ended January 31) as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent fiscal year. The County Superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the current fiscal year or the subsequent fiscal year. A qualified

certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

Under California law, any school district and office of education that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the district, unless the applicable county superintendent of schools determines that the district's repayment of indebtedness is probable.

District's Budget Approval/Disapproval and Certification History. During the past five years, each of the District's adopted budgets have been approved by the County Superintendent and the District has received positive certifications on all of its interim reports.

Copies of the District's budget, interim reports and certifications may be obtained upon request from the District Office at Porterville Unified School District, 600 West Grand Avenue, Porterville, California; Telephone (559) 793-2400. The District may impose charges for copying, mailing and handling.

District's General Fund. The following table shows the general fund figures for the District for fiscal year 2020-21 (adopted budget and second interim projections).

**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Year 2020-21 (Adopted Budget and Second Interim Projections) ⁽¹⁾
Porterville Unified School District**

Revenues	Adopted Budget 2020-21	Second Interim 2020-21
LCFF Sources	\$141,774,639	\$153,903,555
Federal revenues	25,732,094	39,459,113
Other state revenues	14,941,019	17,342,691
Other local revenues	3,956,614	5,952,206
Total Revenues	<u>186,404,366</u>	<u>216,657,565</u>
Expenditures		
Certificated salaries	72,560,778	72,848,135
Classified salaries	24,272,411	24,515,684
Employee benefits	54,256,280	57,324,243
Books and supplies	12,459,725	18,625,883
Contract services & operating exp.	15,632,031	20,458,654
Capital outlay	374,960	2,397,641
Other outgo (excluding indirect costs)	2,057,996	2,477,854
Other outgo – transfers of indirect costs	(338,460)	(278,683)
Total expenditures	<u>181,275,722</u>	<u>198,369,411</u>
Excess of revenues over/(under) expenditures	5,128,645	18,288,154
Other financing sources (Uses)		
Operating transfers in	400,168	400,168
Operating transfers out	(5,300,772)	(19,623,659)
Total other financing sources (uses)	<u>(4,900,604)</u>	<u>(19,223,491)</u>
Net change in fund balance	228,041	(935,337)
Fund balance, July 1	<u>46,815,438</u>	<u>46,815,438</u>
Fund balance, June 30	\$47,043,478	\$45,880,101

(1) Totals may not add due to rounding.
Source: Porterville Unified School District.

District Reserves. The District's ending fund balance is the accumulation of surpluses from prior years. This fund balance is used to meet the State's minimum required reserve of 3% of expenditures, plus any other allocation or reserve which might be approved as an expenditure by the District in the future.

In connection with legislation adopted in connection with the State's fiscal year 2014-15 Budget ("SB 858"), the Education Code was amended to provide that, beginning in fiscal year 2015-16, if a district's proposed budget includes a local reserve above the minimum recommended level, the governing board must provide the information for review at the annual public hearing on its proposed budget. In addition, SB 858 included a provision, which became effective upon the passage of Proposition 2 at the November 4, 2014 statewide election, which limits the amount of reserves which may be maintained at the District level. Specifically, the legislation, among other things, enacted Education Code Section 42127.01, which became

operative December 15, 2014, and provides that in any fiscal year immediately after a fiscal year in which a transfer is made to the State’s Public School System Stabilization Account (the Proposition 98 reserve), a school district may not adopt a budget that contains a reserve for economic uncertainties in excess of twice the applicable minimum recommended reserve for economic uncertainties established by the State Board (for school districts with ADA over 400,000, the limit is three times the amount). Exemptions can be granted by the County Superintendent under certain circumstances.

On October 11, 2017, the Governor signed new legislation (“**SB 751**”) amending Section 42127.01 of the Education Code, effective January 1, 2018. SB 751 raises the reserve cap established under SB 858 to no more than 10% of a school district’s combined assigned or unassigned ending general fund balance and provides that the reserve cap will be triggered only if there is a minimum balance of 3% of the Proposition 98 reserve. Basic aid school districts and small districts with 2,500 or fewer ADA are exempt from the reserve cap.

Attendance - Revenue Limit and LCFF Funding

As described herein, prior to fiscal year 2013-14, school districts in California derived most State funding based on a formula which considered a revenue limit per unit of average daily attendance (“**ADA**”). With the implementation of the LCFF, commencing in fiscal year 2013-14, school districts receive base funding based on ADA, and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target. The following table sets forth LCFF funding for the District for fiscal years 2014-15 through 2020-21 (Projection).

**AVERAGE DAILY ATTENDANCE AND STATE FUNDING UNDER LCFF
Fiscal Years 2014-15 and 2020-21
Porterville Unified School District**

Fiscal Year	ADA	LCFF Entitlement Per ADA
2014-15	12,638	\$8,454
2015-16	12,617	9,821
2016-17	12,783	10,400
2017-18	12,834	10,682
2018-19	12,600	11,451
2019-20	12,760	12,019
2020-21 ⁽¹⁾	12,760	12,061

⁽¹⁾ Second Interim Projection.
Source: Porterville Unified School District.

District’s Unduplicated Student Count. Under LCFF, school districts are entitled to supplemental funding based on the unduplicated count of targeted students. The District’s percentage of unduplicated students is approximately 88% for purposes of calculating supplemental and concentration grant funding under LCFF.

Possible Impacts of Coronavirus. As described herein, the short-term and long-term impact of COVID-19 on the District’s attendance, revenues and local property values cannot be predicted. The Bonds described in this Official Statement are secured by *ad valorem* property

taxes, and not the District's general fund. See "SECURITY FOR THE BONDS – COVID-19 Global Pandemic."

Revenue Sources

The District categorizes its general fund revenues into four sources, being LCFF, Federal Revenues, Other State Revenues and Local Revenues. Each of these revenue sources is described below.

LCFF Sources. District funding is provided by a mix of (1) local property taxes and (2) State apportionments of funding under the LCFF. Generally, the State apportionments will amount to the difference between the District's LCFF funding entitlement and its local property tax revenues.

Beginning in 1978-79, Proposition 13 and its implementing legislation provided for each county to levy (except for levies to support prior voter-approved indebtedness) and collect all property taxes, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

The principal component of local revenues is the school district's property tax revenues, i.e., the district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. Education Code Section 42238(h) itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in equalization aid. Historically, the more local property taxes a district receives, the less State equalization aid it is entitled to.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under the Every Student Succeeds Act, the Individuals with Disabilities Education Act, and specialized programs such as Drug Free Schools.

Other State Revenues. As discussed above, the District receives State apportionment of basic and equalization aid in an amount equal to the difference between the District's revenue limit and its property tax revenues. In addition to such apportionment revenue, the District receives other State revenues.

The District receives State aid from the California State Lottery (the "**Lottery**"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Moreover, State Proposition 20 approved in March 2000 requires that 50% of the increase in Lottery revenues over 1997-98 levels must be restricted to use on instruction material.

For additional discussion of State aid to school districts, see "-State Funding of Education."

Other Local Revenues. In addition to local property taxes, the District receives additional local revenues from items such as interest earnings and other local sources.

District Retirement Programs

Qualified employees of the District are covered under multiple-employer defined benefit pension plans maintained by agencies of the State. Certificated employees are members of the State Teachers' Retirement System ("**STRS**") and classified employees are members of the Public Employees' Retirement System ("**PERS**"). Both STRS and PERS are operated on a Statewide basis. *The information set forth below regarding the STRS and PERS programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by either the District or the Underwriter.*

STRS. All full-time certificated employees participate in STRS, a cost-sharing, multiple-employer contributory public employee retirement system. STRS provides retirement, disability and survivor benefits to plan members and beneficiaries under a defined benefit program. Benefit provisions and contribution amounts are established by State statutes, as legislatively amended. The program is funded through a combination of investment earnings and statutorily set contributions from three sources: employees, employers and the State. The District's employer contributions to STRS for recent fiscal years are set forth in the following table.

STRS EMPLOYER CONTRIBUTIONS Fiscal Years 2014-15 through 2020-21 Porterville Unified School District

Fiscal Year	Amount
2014-15	\$5,337,224
2015-16	6,918,669
2016-17	8,532,776
2017-18	10,139,065
2018-19	11,727,870
2019-20	12,412,211
2020-21 ⁽¹⁾	21,152,015

(1) Second Interim Projection. Increase attributed to increase in contribution rates and modified accounting reporting requirements, which include reporting the District's proportionate share of the plan's net pension liability and recognizing on-behalf STRS contributions in governmental funds.

Source: Porterville Unified School District.

Historically, employee, employer and State contribution rates did not vary annually to account for funding shortfalls or surpluses in the STRS plan. In recent years, the combination of investment earnings and statutory contributions were not sufficient to pay actuarially required amounts. As a result, the STRS defined benefit program showed an estimated unfunded actuarial liability of approximately \$102.6 billion as of June 30, 2019 (the date of the last actuarial valuation). In connection with the State's adoption of its fiscal year 2014-15 Budget, the Governor signed into law Assembly Bill 1469 ("**AB 1469**"), which represents a legislative effort to address the unfunded liabilities of the STRS pension plan. AB 1469 addressed the funding gap by increasing contributions by employees, employers and the State. In particular, employer contribution rates are scheduled to increase through at least fiscal year 2020-21, from a contribution rate of 8.88% in fiscal year 2013-14 to 19.1% in fiscal year 2020-21. Thereafter, employer contribution rates will be determined by the STRS board to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046.

The District's employer contribution rates for fiscal years 2015-16 through 2019-20 were 10.73%, 12.58%, 14.43%, 16.28%, and 17.10%, respectively. Projected employer contribution rates for school districts (including the District) for fiscal year 2020-21 through fiscal year 2022-23 are set forth in the following table.

**EMPLOYER CONTRIBUTION RATES (STRS)
Fiscal Years 2020-21 through 2022-23**

Fiscal Year	Employer Contribution Rate⁽¹⁾
2020-21	16.15%
2021-22	16.02
2022-23	18.10

(1) Expressed as a percentage of covered payroll.
Source: AB 1469

PERS. All full-time and some part-time classified employees participate in PERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State. PERS provides retirement, disability, and death benefits to plan members and beneficiaries. The District is part of a cost-sharing pool within PERS known as the "Schools Pool." Benefit provisions are established by State statutes, as legislatively amended. Contributions to PERS are made by employers and employees. Each fiscal year, the District is required to contribute an amount based on an actuarially determined employer rate. The District's employer contributions to PERS for recent fiscal years are set forth in the following table.

**PERS EMPLOYER CONTRIBUTIONS
Fiscal Years 2014-15 through 2020-21
Porterville Unified School District**

Fiscal Year	Amount
2014-15	\$2,269,303
2015-16	2,682,529
2016-17	3,341,312
2017-18	3,805,183
2018-19	4,719,592
2019-20	5,562,213
2020-21 ⁽¹⁾	5,065,409

(1) Second Interim Projection.
Source: Porterville Unified School District.

Like the STRS program, the PERS program has maintained an unfunded liability in recent years. The PERS unfunded liability, on a market value of assets basis, was approximately \$31.4 billion as of June 30, 2019 (the date of the last actuarial valuation). To address such unfunded liability, the PERS board has taken a number of actions. In April 2013, for example, the PERS board approved changes to the PERS amortization and smoothing policy intended to reduce volatility in employer contribution rates. In addition, in April 2014, PERS set new contribution rates, reflecting new demographic assumptions and other changes in actuarial assumptions. In November 2015, PERS adopted a funding risk mitigation policy intended to incrementally lower its discount rate (its assumed rate of investment return) in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility

in contribution rates for employers. In December 2016, PERS voted to lower its discount rate from the current 7.5% to 7.0% over the next three years according to the following schedule.

**PERS Discount Rate
Fiscal Years 2018-19 through 2020-21**

Fiscal Year	Amount
2018-19	7.375%
2019-20	7.250
2020-21	7.000

Source: PERS.

The new rates and underlying assumptions, which are aimed at eliminating the unfunded liability of PERS in approximately 30 years, will be implemented for school districts beginning in fiscal year 2016-17, with the costs spread over 20 years and the increases phased in over the first five years.

The District's employer contribution rates for fiscal years 2015-16, 2016-17, 2017-18, 2018-19, and 2020-21 were 11.847%, 13.888%, 15.531%, 18.062%, and 19.721% respectively. Projected employer contribution rates for school districts (including the District) for fiscal year 2019-20 through fiscal year 2022-23 are set forth in the following table.

**EMPLOYER CONTRIBUTION RATES (PERS)
Fiscal Years 2020-21 through 2022-23⁽¹⁾**

Fiscal Year	Employer Contribution Rate ⁽²⁾
2020-21	22.700%
2021-22	24.840
2022-23	25.500

(1) The PERS board is expected to approve official employer contribution rates for each fiscal year shown during the immediately preceding fiscal year.

(2) Expressed as a percentage of covered payroll.

Source: PERS

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 ("PEPRA"), which impacted various aspects of public retirement systems in the State, including the STRS and PERS programs. In general, PEPRA (i) increased the retirement age for public employees depending on job function, (ii) capped the annual pension benefit payouts for public employees hired after January 1, 2013, (iii) required public employees hired after January 1, 2013 to pay at least 50% of the costs of their pension benefits (as described in more detail below), (iv) required final compensation for public employees hired after January 1, 2013 to be determined based on the highest average annual pensionable compensation earned over a period of at least 36 consecutive months, and (v) attempted to address other perceived abuses in the public retirement systems in the State. PEPRA applies to all public employee retirement systems in the State, *except* the retirement systems of the University of California, and charter cities and charter counties whose pension plans are not governed by State law. PEPRA's provisions went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees

hired on or after that date; existing employees who are members of employee associations, including employee associations of the District, have a five-year window to negotiate compliance with PEPRA through collective bargaining.

PERS has predicted that the impact of PEPRA on employees and employers, including the District and other employers in the PERS system, will vary, based on each employer's current level of benefits. As a result of the implementation of PEPRA, new members must pay at least 50% of the normal costs of the plan, which can fluctuate from year to year. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn.

With respect to the STRS pension program, employees hired after January 1, 2013 will pay the greater of either (1) fifty percent of the normal cost of their retirement plan, rounded to the nearest one-quarter percent, or (2) the contribution rate paid by then-current members (i.e., employees in the STRS plan as of January 1, 2013). The member contribution rate could be increased from this level through collective bargaining or may be adjusted based on other factors. Employers will pay at least the normal cost rate, after subtracting the member's contribution.

The District is unable to predict the amount of future contributions it will have to make to PERS and STRS as a result of the implementation of PEPRA, and as a result of negotiations with its employee associations, or, notwithstanding the adoption of PEPRA, resulting from any legislative changes regarding the PERS and STRS employer contributions that may be adopted in the future.

COVID-19 Impacts: Recent investment losses in the PERS and STRS portfolios as a result of the general market downturn caused by the COVID-19 outbreak may result in increases in the District's required contributions in future years. The District cannot predict the level of such increases, if any.

Additional Information. Additional information regarding the District's retirement programs is available in Note 13 to the District's audited financial statements attached hereto to the Official Statement as APPENDIX B. In addition, both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; and (ii) PERS, 400 Q Street, Sacramento, California 95811. More information regarding STRS and PERS can also be obtained at their websites, www.calstrs.com and www.calpers.ca.gov, respectively. *The references to these Internet websites are shown for reference and convenience only and the information contained on such websites is not incorporated by reference into this Official Statement. The information contained on these websites may not be current and has not been reviewed by the District or the Underwriter for accuracy or completeness.*

Other Post-Employment Retirement Benefits

The Plan Generally. The Public Agency Retirement Services administers the Postemployment Benefits Plan (the "**Plan**"). The Plan is a multiple-employee defined benefit plan that is used to provide postemployment benefits other than pensions ("**OPEB**") for eligible retirees and their spouses. 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. Membership of the Plan consists of 495 retirees and beneficiaries currently receiving benefits and 1,165 active plan members.

Contributions. The benefit payment requirements of Plan members and the District are established and may be amended by the District, the Porterville Educators Association ("**PEA**"), the local California Service Employees Association ("**CSEA**"), and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District, PEA, CSEA, and the unrepresented groups. For the fiscal year 2019-20, the District paid \$5,575,268 in benefits including \$3,922,161 in pay as you go current premiums. The remainder is being held in the District's OPEB trust.

Actuarial Assumptions and Other Inputs. The District's total OPEB liability of \$64,840,755 was measured as of June 30, 2020 and was determined by an actuarial valuation as of the same date using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified: inflation 2.63%, salary increases 2.75%, average, including inflation, valuation interest rate 6.50%, investment rate of return 6.50%, net of OPEB plan investment expense, including inflation and healthcare cost trend rates 4.00% for 2019. The valuation and investment rate of return were based on expected earnings within the District's OPEB trust. Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2017 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) 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.

The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actual experience study for the period July 1, 2019 to June 30, 2020.

Changes in OPEB Liability of the District. The changes in OPEB liability of the District as of June 30, 2020, is shown in the following table:

**CHANGES IN TOTAL OPEB LIABILITY
Porterville Unified School District**

	Total OPEB Liability
Balance at June 30, 2019	\$67,285,327
Service Cost	4,318,542
Interest	2,375,982
Experience (Gains)/Losses	16,710,364
Changes of assumptions	(21,927,299)
Benefit payments	<u>(3,922,161)</u>
Net changes	<u>(2,444,572)</u>
Balance at June 30, 2020	<u>\$64,840,755</u>

Source: Porterville Unified School District Audit Report.

For the year ended June 30, 2020, the District recognized an OPEB expense of \$6,452,010. For more information regarding the District's OPEB and assumptions used in its most recent actuarial study, see Note 10 of APPENDIX B to the Official Statement.

Insurance-Joint Powers Agreements

The District is a member of the Tulare County Schools Insurance Group (“**SIG**”) and the Central Tulare County School Districts' Liability/Property Self-Insurance Authority (“**LPSIA**”) public entity risk pools. The District pays an annual premium to each entity for its health, workers' compensation, and property liability coverage. The relationships between the District and the pools 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 available from the respective entities.

The District has appointed one member to the governing board of SIG. During the year ended June 30, 2020, the District made payment of \$4,896,255 to SIG for workers' compensation insurance. The District has appointed one member to the governing board of LPSIA. During the year ended June 30, 2020, the District made payment of \$234,565 to LPSIA for property and liability insurance.

For more information regarding the District's JPAs, see Note 16 of APPENDIX B to the Official Statement.

Existing Debt Obligations

General Obligation Bonds. The District has voter-approved general obligation bonds which have been issued pursuant to the authority obtained from voters at elections in past years, which are secured by *ad valorem* property taxes levied and collected in the District. The following table shows the outstanding general obligation bonded debt of the District.

PORTERVILLE UNIFIED SCHOOL DISTRICT Summary of Outstanding General Obligation Bond Debt

	Date Issued	Original Issue Amount	Amount Outstanding (March 31, 2021)
<u>Improvement District</u>			
Election of 2002, Series A	08/01/2002	\$3,500,000	\$449,222
Election of 2002, 2004 Bonds	12/14/2004	3,256,492	1,103,906
Election of 2002, 2007C Bonds	11/15/2007	5,302,986	63,792
2002 Election General Obligation Refunding Bonds, 2011 Series B*	12/01/2011	10,215,000	3,630,000
2018 Refunding General Obligation Bonds	11/15/2018	11,513,586	11,348,586
<u>Former High School District</u>			
2002 Election General Obligation Refunding Bonds, 2011 Series A*	12/01/2011	2,880,000	1,555,000
Total		\$36,668,064	\$18,150,506

*Certain maturities to be refunded with the proceeds of the Bonds, as described in the Official Statement.

Certificates of Participation. On September 1, 2004, the Porterville Schools Improvement Corporation issued certificates of participation (the “**2004 Certificates**”) in the amount of \$2,170,000 with interest rates ranging from 2.0 to 4.1%. The 2004 Certificates were issued to construct facilities. At June 30, 2020, the outstanding principal balance was \$170,000.

The table below is a schedule of the future payments for the 2004 Certificates of Participation as of June 30, 2020:

**2004 CERTIFICATES OF PARTICIPATION
Porterville Unified School District**

Year Ended June	Principal	Interest to Maturity	Total
2021	\$170,000	\$3,485	\$173,485
Total	\$170,000	\$3,485	\$173,485

Source: Porterville Unified School District.

On July 14, 2010, the District issued 2010 Series A Certificates of Participation in the amount of \$25,000,000 (the “**2010 Certificates**”). The 2010 Certificates were delivered as Qualified School Construction Bonds with direct subsidies to be paid to the District by the United States Department of the Treasury. Interest with respect to the Certificates is payable each January 1 and July 1, commencing January 1, 2011, at a rate of 7.25%. The Certificates were issued to finance a solar photovoltaic project and for the construction and improvement of various school facilities of the District.

**CERTIFICATES OF PARTICIPATION
Porterville Unified School District**

Year Ended June	Principal	Interest to Maturity	Total
2021	--	\$1,812,500	\$1,812,500
2022	--	1,812,500	1,812,500
2023	--	1,812,500	1,812,500
2024	--	1,812,500	1,812,500
2025	--	1,812,500	1,812,500
2026-2030	\$25,000,000	3,625,000	28,625,000
Total	\$25,000,000	\$12,687,500	\$37,687,500

Bus Lease. On October 23, 2020, the District entered into a lease-purchase agreement for six buses, which are reported as capital lease obligations. The District will make semi-annual payments from its general fund until October of 2027, in the aggregate amount of \$1,183,110.60.

Investment of District Funds

In accordance with Government Code Section 53600 *et seq.*, the Tulare County Treasurer manages funds deposited with it by the District. Tulare County is required to invest such funds in accordance with California Government Code Sections 53601 *et seq.* In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code.

Effect of State Budget on Revenues

Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts generally receive the majority of their operating revenues from various State sources. The primary source of funding for school districts is LCFF funding, which is derived from a combination of State funds and local property taxes (see “—State Funding of Education – Revenue Limits” above). State funds typically make up the majority of a district’s LCFF funding. School districts also receive funding from the State for some specialized programs such as special education.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS” below), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. The District cannot predict how education funding may further be changed in the future, or the state of the economy which in turn can impact the amounts of funds available from the State for education funding. See “STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS” on the following page.

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STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

State Funding of Education

General. The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. School districts in California receive operating income primarily from two sources: (1) the State funded portion which is derived from the State's general fund, and (2) a locally funded portion, being a district's share of the 1% general *ad valorem* tax levy authorized by the California Constitution (see "DISTRICT FINANCIAL INFORMATION – Education Funding Generally" above). School districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55% of their operating revenues from various State sources.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" below), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. Decreases in State revenues may significantly affect appropriations made by the legislature to school districts.

The COVID-19 pandemic is expected to have a material impact on State revenues and appropriations.

The following information concerning the State's budgets for the current and most recent preceding years has been compiled from publicly-available information provided by the State. None of the District, the Underwriter or County is responsible for the information relating to the State's budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer's Office.

The Budget Process. The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "**Governor's Budget**"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the State Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a majority vote of each house of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each house of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (including for K-14 education) must be approved by a majority vote in each House of the Legislature, unless such appropriations require tax increases, in which case they must be approved by a two-thirds vote of each house of the Legislature, and be signed by the Governor. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Recent State Budgets

Certain information about the State budgeting process and the State budget is available through several State of California sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. *The references to internet websites shown below are shown for reference and convenience only, the information contained within the websites may not be current and has not been reviewed by the District and is not incorporated herein by reference.*

- The California State Treasurer internet home page at www.treasurer.ca.gov, under the heading "Bond Information", posts various State of California Official Statements, many of which contain a summary of the current State budget, past State budgets, and the impact of those budgets on school districts in the State.
- The California State Treasurer's Office Internet home page at www.treasurer.ca.gov, under the heading "Financial Information", posts the State's audited financial statements. In addition, the Financial Information section includes the State's Rule 15c2-12 filings for State bond issues. The Financial Information section also includes the Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation from the State's most current Official Statement, which discusses the State budget and its impact on school districts.
- The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget", includes the text of proposed and adopted State budgets.
- The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Subject Area – Budget (State)".

Prior Years' Budgeting Techniques. Declining revenues and fiscal difficulties which arose in the State commencing in fiscal year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, among others, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies.

2013-14 State Budget: Significant Change in Education Funding. As described previously herein, the 2013-14 State Budget and its related implementing legislation enacted significant reforms to the State's system of K-12 education finance with the enactment of the LCFF. Significant reforms such as the LCFF and other changes in law may have significant impacts on the District's finances.

2020-21 State Budget

Introduction and Background. The Governor signed the fiscal year 2020-21 State Budget (the "**2020-21 State Budget**") on June 29, 2020. The 2020-21 State Budget notes that the COVID-19 pandemic has impacted every sector of the State's economy and has caused record high unemployment, and further action from the federal government is needed as a result of the crisis. The Governor is pursuing \$1 trillion in flexible federal aid to state and local governments across the country, which support will be critical to mitigate the effects of the public health crisis, encourage recovery, and support persons in need.

At the time of the Governor's proposed 2020-21 State Budget in January, the State was projecting a surplus of \$5.6 billion. At the time of the May Revision with respect to the 2020-21 State Budget, the State had a budget deficit of \$54.3 billion. The 2020-21 State Budget includes measures to close the gap and bring the State's resources and spending into balance while preserving reserves for future years.

To reduce the structural deficit in the coming years, the 2020-21 State Budget sustains the January 1, 2022 suspension of several ongoing programmatic expansions that were made in the 2019 Budget Act. In addition, the 2020-21 State Budget accelerates the suspension of most Proposition 56 (2016 tobacco tax measure) tax rate increases to July 1, 2021. Despite these measures, the State forecasts an operating deficit of \$8.7 billion in 2021-22, after accounting for reserves.

Closing the Budget Gap. The 2020-21 State Budget uses the following strategies to close the budget gap:

- **Reserve Draw Down:** Draws down \$8.8 billion in reserves, including from the State's Rainy Day Fund (\$7.8 billion), the Safety Net Reserve (\$450 million), and all of the funds in the Public School System Stabilization Account.
- **Triggers:** Includes \$11.1 billion in funding reductions and deferrals that will be restored if at least \$14 billion in federal funds are received by October 15, 2020. If the State receives a lesser amount between \$2 billion and \$14 billion, the reductions and deferrals will be partially restored. The trigger includes \$6.6 billion in deferred funding for schools.
- **Federal Funds:** Relies on \$10.1 billion in federal funds that provide State general fund relief, including \$8.1 billion already received.
- **Revenues:** Temporarily suspends the use of net operating losses for medium and large businesses and temporarily limits to \$5 million the amount of business incentive credits a taxpayer can use in any given tax year. These short-term limitations will generate \$4.4 billion in new revenues in the 2020-21 fiscal year.

- Borrowing/Transfers/Deferrals: Relies on \$9.3 billion in special fund borrowing and transfers, as well as other deferrals for K-14 schools. Approximately \$900 million in additional special fund borrowing is associated with the reductions to employee compensation and is contained in the trigger.
- Other Solutions: Cancelling multiple program expansions and anticipating increased government efficiencies, higher ongoing revenues above the May Revision forecast and lower health and human services caseload costs than the May Revision estimated.

General Budget Highlights. Certain highlights of the 2020-21 State Budget are:

Emergency Response: COVID-19 and other emergency response efforts included in the 2020-21 State Budget are:

- Responding to COVID-19: The State expects to receive over \$72 billion in federal assistance to State programs, of which unemployment insurance represents about \$52 billion of this total. Under the CARES Act, the State received \$9.5 billion for various uses including \$4.4 billion to mitigate K-14 learning loss. The amount of \$5.9 million of General Fund spending for 2020-21 and \$4.8 million ongoing is allocated to support the State Department of Health's response to COVID-19.

- Enhancements to Emergency Responses and Preparedness: \$117.6 million is allocated to the State Office of Emergency Services to enhance emergency preparedness and response capabilities, including with respect to power outages, earthquakes, wildfires and cybersecurity.

- Forestry and Fire Protection: \$90 million is allocated to enhance CAL FIRE's fire protection capabilities, including for wildfire prediction and modeling technology.

Revenue Solutions. Revenue measures which are expected to net \$4.3 billion in 2020-21, \$3.1 billion in 2021-22 and \$1.3 billion in 2022-23, include:

- Certain Tax Measure Extensions. Extending certain tax measures including certain sales tax exemptions through the end of 2022-23, extending the carryover period for film credits from 6 years to 9 years, and extending the current exemption from the minimum tax for first year corporations to first year limited liability corporations, partnerships, and limited liability partnerships.

- Expansion of Earned Income Tax. Expanding the Earned Income Tax Credit to certain taxpayers.

- Changes to Tax Laws and Sales Tax. Changes in tax law including suspending net operating losses for 2020, 2021, and 2022 for medium and large businesses, and limiting certain business incentive tax credits, and with respect to closing the sale tax loss gap, requiring used car dealers to remit sales tax to the Department of Motor Vehicles with registration fees.

Recovery for Small Businesses. The 2020-21 State Budget includes a waiver of the minimum franchise tax for the first year of operation, \$100 million budgeted for the

State's small business loan program, \$25 million to provide capital to enable the origination of more loans in underbanked communities, and adding funding of \$758,000 ongoing for positions relating to small business support.

Housing. Up to \$500 million is allocated in State tax credits for low-income housing in 2021, under certain conditions. The 2020-21 State Budget provides \$331 million in National Mortgage Settlement funds to help prevent avoidable foreclosures and evictions, and \$8.3 billion across multiple departments and programs to address housing throughout the State.

K-12 Education Funding Summary. For K-12 education funding, the 2020-21 State Budget provides for funding under Proposition 98 of \$70.9 billion, which is more than \$10 billion below the minimum guarantee contained in the State's 2019-20 budget. For K-12 schools, this results in Proposition 98 per pupil spending of \$10,654 in 2020-21, which is a \$1,339 decrease over the 2019-20 per pupil spending levels. Additionally, in the same period, per pupil spending from all State, federal, and local sources decreased by approximately \$542 per pupil to \$16,881.

Efforts to mitigate the impact of the decline in K-12 funding in the 2020-21 State Budget include:

Deferrals: \$1.9 billion of LCFF apportionment deferrals in 2019-20, growing to \$11 billion LCFF apportionment deferrals in 2020-21. These deferrals will allow LCFF funding to remain at 2019-20 levels in both fiscal years. The statutory LCFF cost-of-living adjustment is suspended in 2020-21. Of the total deferrals, \$5.8 billion will be triggered off in 2020-21 if the federal funding becomes available.

Learning Loss Mitigation: A one-time investment of \$5.3 billion (\$4.4 billion federal Coronavirus Relief Fund, \$539.9 million Proposition 98 General Fund, and \$355.2 million federal Governor's Emergency Education Relief Fund) to local educational agencies to address learning loss related to COVID-19 school closures. Funds will be allocated to local educational agencies on an equity basis, with an emphasis on ensuring the greatest resources are available to local educational agencies serving students with the greatest needs.

Supplemental Appropriations: In 2019-20 and 2020-21, the Proposition 98 funding level drops below the target funding level by a total of approximately \$12.4 billion. To accelerate the recovery from this funding reduction, the 2020-21 State Budget provides supplemental appropriations above the constitutionally-required Proposition 98 funding level, beginning in 2021-22, and in each of the next several fiscal years, in an amount equal to 1.5 percent of State general fund revenues per year, up to a cumulative total of \$12.4 billion.

Revised PERS and STRS Contributions. To provide local educational agencies with increased fiscal relief, the 2020-21 State Budget redirects \$2.3 billion appropriated in the 2019 Budget Act to STRS and PERS for long-term unfunded liabilities to reduce employer contribution rates in 2020-21 and 2021-22. This reallocation will reduce the STRS employer rate from 18.41 percent to approximately 16.15 percent in 2020-21 and from 17.9 percent to 16.02 percent in 2021-22. The PERS Schools Pool employer contribution rate will be further reduced from 22.67 percent to 20.7 percent in 2020-21 and from 24.6 percent to 22.84 percent in 2021-22.

Federal Funds. The 2020-21 State Budget appropriates \$1.6 billion in federal Elementary and Secondary School Emergency Relief funds that the State was recently awarded. Of this amount, 90 percent (\$1.5 billion) will be allocated to local educational agencies in proportion to the amount of Title I-A funding they receive to be used for COVID-19 related costs. The remaining 10 percent (\$164.7 million) is available for certain COVID-19 related State-level activities, such as providing additional funding for student meals and social services.

Special Education. The 2020-21 State Budget increases special education base rates to \$625 per pupil pursuant to a new funding formula, apportioned using the existing hold harmless methodology, and provides \$100 million to increase funding for students with low-incidence disabilities. Additional federal funding received by the State is also allocated to various special education programs.

Average Daily Attendance. To ensure funding stability regardless of the instructional model undertaken in the 2020-21 academic year, the 2020-21 State Budget includes a hold harmless for the average daily attendance used to calculate school funding for all local educational agencies and includes requirements for distance learning to ensure that, when in-person instruction is not possible, students continue to receive access to a quality education via distance learning.

In addition, the 2020-21 State Budget includes certain employee protection terms to ensure the continuity of employment for essential school staff during the COVID-19 pandemic. As such, the 2020-21 State Budget includes the suspension of the August 15, 2020, layoff window for teachers and other non-administrative certificated staff, and the suspension of layoffs for classified staff working in transportation, nutrition, and custodial services from July 1, 2020 through June 30, 2021. The 2020-21 State Budget also includes the intent of the State Legislature that school districts, community college districts, joint powers authorities, and county offices of education retain all classified employees in the 2020-21 fiscal year.

Proposed 2021-22 State Budget

On January 8, 2021, the Governor submitted a \$227.2 billion 2021-22 State Budget proposal (the “**2021-22 Proposed Budget**”) to the Legislature. The Governor has called for immediate legislative action to provide rapid relief to individuals, families and small businesses hit hardest by the COVID-19 pandemic, including direct payments to low-income workers; funding for grants to small businesses and small non-profit cultural institutions disproportionately impacted by the pandemic fee relief for small businesses including personal services and restaurants; funds to support and accelerate safe returns to in-person instruction starting in February 2021; and an increase in the State’s minimum wage to \$14 per hour.

Reflecting an improved economic outlook and a \$15 billion revenue surplus since the 2020 Budget Act, highlights of the 2021-22 Proposed Budget are:

- \$85.8 billion in Proposition 98 funding for K-12 schools and community colleges, including \$2 billion to support and accelerate safe returns to in-person instruction, \$4.6 billion to help students bounce back from the impacts of the pandemic and \$400 million for school-based mental health services. See “– K-14 Education Spending” below.

- \$372 million to speed up administration of vaccines across all of California's 58 counties and a \$14 billion investment in the State's economic recovery, including direct cash supports of \$600 to millions of Californians through the Golden State Stimulus, extending new protections and funding to help keep people in their homes and investing in relief grants for small businesses.
- Budget reserves of \$34 billion, including \$15.6 billion in the Proposition 2 Budget Stabilization Account (Rainy Day Fund) for fiscal emergencies; \$450 million in the Safety Net Reserve; \$3 billion in the Public School System Stabilization Account; and an estimated \$2.9 billion in the state's operating reserve.
- In order to pay down the State's retirement liabilities, the 2021-22 Proposed Budget includes \$3 billion in additional payments required by Proposition 2 in 2021-22 and nearly \$6.5 billion over the next three years.

K-14 Education Spending. The 2021-22 Proposed Budget's improved revenue estimate results in the highest funding level ever at \$85.8 billion for K-12 schools and community college districts under Proposition 98, representing an increased investment of \$14.9 billion in K-12 schools and community colleges above the level funded in the 2020 Budget Act. The Proposition 98 funding levels for the 2019-20 and 2020-21 fiscal years increased from 2020 Budget Act levels by \$1.9 billion and \$11.9 billion, respectively, due almost exclusively to increased General Fund revenues in all fiscal years. Reflecting the changes to Proposition 98 funding levels noted above, total K-12 per-pupil expenditures from all sources are projected to be \$18,837 in 2020-21 and \$18,000 in 2021-22—the highest levels ever (K-12 Education Spending Per Pupil). The decrease between 2020-21 and 2021-22 reflects the significant allocation of one-time federal funds in 2020-21. Ongoing K-12 per-pupil expenditures of Proposition 98 funds are \$12,648 in 2021-22, an increase of \$1,994 per pupil over the level provided in the 2020 Budget Act.

The 2021-22 Proposed Budget also includes \$4.6 billion Proposition 98 General Fund revenues for extending learning time, including summer school programs and other strategies to address learning loss related to the pandemic. The 2021-22 Proposed Budget continues to commit \$2.3 billion General Fund one-time in recognition of the additional costs schools face as they respond to the pandemic. The 2021-22 Proposed Budget directs a significant portion of additional funding to paying down nearly two-thirds of the deferrals implemented in 2020-21 and provides a 3.84% cost-of-living adjustment to the Local Control Funding Formula. The significant growth in capital gains and overall General Fund revenue growth also triggers deposits of roughly \$3 billion into the Public School System Stabilization Account, resulting in a statutory cap of 10 percent on local school district reserves beginning in 2022-23.

Funds to Implement In-Person Learning. The 2021-22 Proposed Budget includes \$2 billion of one-time Proposition 98 funding available beginning in February 2021, to augment resources for schools to offer in-person instruction safely. This funding will be available on a per-pupil basis for all county schools, school districts, and charter schools that are open for in-person instruction by specified dates. For schools that continue offering or begin offering in-person instruction for at least all TK-2nd grade students, all students with disabilities, youth in foster care, homeless youth, and students without access to technology or high-speed Internet by February 16, and all 3rd-6th grade students by March 15, base grant amounts will be \$450, increasing to more than \$700 per pupil for schools with a high enrollment of low-income students, youth in foster care, and English language learners. Schools with later start dates will qualify for a proportionally lower base grant, except those in counties with high rates of community spread. Schools in counties with high rates

of community spread will be eligible for the full February grant amount if they open for in-person instruction pursuant to state and local health guidance once their rates of community spread sufficiently decline. Funds may be used for any purpose that supports in-person instruction, including enhancing and expanding COVID-19 testing, purchasing personal protective equipment, improving ventilation and the safety of indoor or outdoor learning spaces, teacher or classified staff salaries for those providing and supporting in-person instruction, and social and mental health support services provided in conjunction with in-person instruction.

Federal Funds. The recent federal COVID-19 relief bill provides \$54.3 billion Elementary and Secondary Schools Emergency Relief Fund (ESSER) for public K-12 schools and \$4 billion Governor's Emergency Education Relief Fund (GEER) for both public and private pre-kindergarten through higher education institutions. Based on prior allocations, the Budget projects that California could receive more than \$6 billion in ESSER funds and \$400 million in GEER funds.

LCFF Funding. Due to a significant reduction in available revenues, the 2020 Budget Act did not provide a statutory cost-of-living adjustment for the LCFF in 2020-21. To make up for this, the Budget funds the LCFF in 2021-22 with both the 2020-21 cost-of-living adjustment (2.31%) and the 2021-22 cost-of-living adjustment (1.5%), creating a compounded combined cost-of-living adjustment of 3.84%, and increasing ongoing LCFF funding by \$2 billion Proposition 98 General Fund, when adjusted for declining ADA. This increase brings total LCFF funding to \$64.5 billion, and funds all local educational agencies at their full LCFF target level.

Deferrals. Pandemic-driven revenue reductions anticipated at the 2020 Budget Act created the need to defer LCFF apportionments, in the amounts of \$1.9 billion in 2019-20, growing to more than \$11 billion in 2020-21. The Budget pays off the full K-12 deferral in 2019-20 and \$7.3 billion of the K-12 deferral in 2020-21, leaving an ongoing K-12 deferral balance of \$3.7 billion in 2021-22. As a result, local educational agencies will experience only a few weeks of delay in receiving apportionment in 2021-22 (as opposed to ten-month deferrals in 2020-21), impacting only impact the June 2022 apportionment, which will be delayed into July 2022.

PERS and STRS Contributions. For 2021-22, STRS will apply \$820 million to reduce the employer contribution rate from 18.1% to approximately 15.92%, and PERS will apply \$330 million to reduce the Schools Pool employer contribution rate from 24.9% to 23%.

School Facilities. The Budget continues to allocate \$1.5 billion of Proposition 51 bond funds to support school construction projects, which is more than double the amount allocated in 2018-19.

Higher Education. The Budget proposes a General Fund increase of \$786 million for the University of California and the California State University with an expectation that they focus on measurable goals to address equity gaps, further maintain online educational opportunities and expand dual admissions and other innovative strategies that reduce time to degree completion. The Budget also assumes resident tuition and fees remain flat in 2021-22.

Disclaimer Regarding State Budgets. The implementation of the foregoing 2019-20 State Budget and future State budgets may be affected by numerous factors, including but not limited to: (i) shifts in costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risks associated with proposed spending reductions, (iv) rising health care costs and/or other unfunded liabilities, such as pension or OPEB, and (v) numerous other factors, all or any of which could cause the revenue and spending projections included in such budgets to be unattainable. The District cannot predict the impact

that the 2020-21 State Budget, or subsequent state budgets, will have on its own finances and operations. However, the Bonds are secured by *ad valorem* taxes levied and collected on taxable property in the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

The State has not entered into any contractual commitments with the District, the County, the Underwriter or the owners of the Bonds to provide State budget information to the District or the owners of the Bonds. Although they believe the sources of information listed below are reliable, neither the District nor the Underwriter assumes any responsibility for the accuracy of State budget information set forth or referred to or incorporated in this Official Statement.

Availability of State Budgets. The complete 2020-21 State Budget and 2021-22 Proposed Budget are available from the California Department of Finance website at www.ebudget.ca.gov. An impartial analysis of the budget is published by the Legislative Analyst Office, and is available at www.lao.ca.gov/budget. The District can take no responsibility for the continued accuracy of these internet addresses or for the accuracy, completeness or timeliness of information posted on these sites, and such information is not incorporated in this Official Statement by these references. The information referred to above should not be relied upon when making an investment decision with respect to the Bonds.

Uncertainty Regarding Future State Budgets. The District cannot predict what actions will be taken in future years by the State legislature or the Governor to address the State's current or future revenues and expenditures, or possible future budget deficits. Future State budgets will be affected by national and State economic conditions and other factors over which the District has no control. The District cannot predict what impact any future budget proposals will have on the financial condition of the District. To the extent that the State budget process results in reduced revenues to the District, the District will be required to make adjustments to its own budgets.

Legal Challenges to State Funding of Education

The application of Proposition 98 and other statutory regulations has been the subject of various legal challenges in the past. The District cannot predict if or when there will be changes to education funding or legal challenges which may arise relating thereto.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Principal of and interest on the Bonds are payable from the proceeds of an *ad valorem* tax levied by the County for the payment thereof. Articles XIII A, XIII B, XIII C, and XIII D of the State Constitution, Propositions 62, 98, 111 and 218, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIII A and all applicable laws.

Constitutionally Required Funding of Education

The State Constitution requires that from all State revenues, there shall be first set apart the moneys to be applied by the State for the support of the public school system and public institutions of higher education. School districts receive a significant portion of their funding from State appropriations. As a result, decreases and increases in State revenues can significantly affect appropriations made by the State Legislature to school districts.

Article XIII A of the California Constitution

Basic Property Tax Levy. On June 6, 1978, California voters approved Proposition 13 (“**Proposition 13**”), which added Article XIII A to the State Constitution (“**Article XIII A**”). Article XIII A limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIII A approved by State voters on June 3, 1986) bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness (which provided the authority for the issuance of the Refunded Bonds), and (iii) (as a result of an amendment to Article XIII A approved by State voters on November 7, 2000) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. The tax for the payment of the Bonds falls within the exception described in (iii) of the immediately preceding sentence. Article XIII A defines full cash value to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment”. This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the “full cash value” base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the “full cash value” base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

Both the United States Supreme Court and the California State Supreme Court have upheld the general validity of Article XIII A.

Legislation Implementing Article XIII A. Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

Inflationary Adjustment of Assessed Valuation. As described above, the assessed value of a property may be increased at a rate not to exceed 2% per year to account for inflation. On December 27, 2001, the Orange County Superior Court, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, held that where a home’s taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the 2% inflation adjustment provision of Article XIII A, when the assessor tried to “recapture” the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the County, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The SBE has approved this methodology for increasing assessed values. On appeal, the Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year’s assessment. On May 10, 2004 a petition for review was filed with the California Supreme Court. The petition has been denied by the California Supreme Court. As a result of this litigation, the “recapture” provision described above may continue to be employed in determining the full cash value of property for property tax purposes.

Article XIII B of the California Constitution

Article XIII B (“**Article XIII B**”) of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year under the provisions of Article XIII B, as amended.

The appropriations of an entity of local government subject to Article XIII B limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all

qualified capital outlay projects as defined by the legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIII B includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years. However, in the event that a school district's revenues exceed its spending limit, the district may in any fiscal year increase its appropriations limit to equal its spending by borrowing appropriations limit from the State.

Article XIII B also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund under Section 8.5 of Article XVI of the State Constitution.

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("**unitary property**"). Under the State Constitution, such property is assessed by the SBE as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

Articles XIII C and XIII D of the California Constitution

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIII C and XIII D (respectively, "**Article XIII C**" and "**Article XIII D**"), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIII C establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIII C further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4.

On November 2, 2010, Proposition 26 was approved by State voters, which amended Article XIIC to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.

Article XIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIC or XIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

While the provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District (thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District), the District does not believe that Proposition 218 will directly impact the revenues available to pay debt service on the Bonds.

Proposition 98

On November 8, 1988, California voters approved Proposition 98, a combined initiative constitutional amendment and statute called the “Classroom Instructional Improvement and Accountability Act” (the “**Accountability Act**”). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State’s appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as “K-14 school districts”) at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

The Accountability Act also changes how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 school districts. Any such transfer to K-14 school districts would be excluded from the appropriations limit for K-14 school

districts and the K-14 school district appropriations limit for the next year would automatically be increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K-14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIII B surplus. The maximum amount of excess tax revenues which could be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Proposition 111

On June 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limit Act of 1990" ("**Proposition 111**") which further modified Article XIII B and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation. The most significant provisions of Proposition 111 are summarized as follows:

Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California *per capita* personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.

Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund

revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the “**first test**”) or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIB by reference to *per capita* personal income) and enrollment (the “**second test**”). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in *per capita* State general fund revenues from the prior year is less than the annual growth in California per capita personal income (the “**third test**”). Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and *per capita* State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a “credit” to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as “**Proposition 39**”) to the California Constitution. This amendment (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. Constitutional amendments may be changed only with another statewide vote. The statutory provisions could be changed by a majority vote of both houses of the Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by Proposition 39 are K-12 school districts including the District, community college districts, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1% of the value of property. Prior to the approval of Proposition 39, property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement authorized by Proposition 39 applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for an elementary school district or high school district), or \$25 (for a community college district), per \$100,000 of taxable property value. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amended the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local

governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Under Proposition 1A, beginning in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amended the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, a constitutional initiative entitled the “Local Taxpayer, Public Safety, and Transportation Protection Act of 2010,” approved on November 2, 2010, superseded many of the provision of Proposition 1A. This initiative amends the State constitution to prohibit the legislature from diverting or shifting revenues that are dedicated to funding services provided by local government or funds dedicated to transportation improvement projects and services. Under this proposition, the State is not allowed to take revenue derived from locally imposed taxes, such as hotel taxes, parcel taxes, utility taxes and sales taxes, and local public transit and transportation funds. Further, in the event that a local governmental agency sues the State alleging a violation of these provisions and wins, then the State must automatically appropriate the funds needed to pay that local government. This Proposition was intended to, among other things, stabilize local government revenue sources by restricting the State’s control over local property taxes. Proposition 22 did not prevent the California State Legislature from dissolving State redevelopment agencies pursuant to AB 1X26, as confirmed by the decision of the California Supreme Court decision in *California Redevelopment Association v. Matosantos* (2011).

Because Proposition 22 reduces the State’s authority to use or reallocate certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State’s general fund.

Proposition 30 and Proposition 55

The Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as “**Proposition 30**”), temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017. This excise tax was levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,000 for single filers (over \$500,000 but less than \$600,000 for joint filers), (ii) 2% for taxable income over \$300,000 but less than

\$500,000 for single filers (over \$600,000 but less than \$1,000,000 for joint filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers). Proposition 55 (described below) extended said increases to personal income rates through the end of 2030.

The revenues generated from the temporary tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See “Proposition 98” and “Proposition 111” above. From an accounting perspective, the revenues generated from the temporary tax increases will be deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the “EPA”). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than \$200 per unit of ADA and no community college district will receive less than \$100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

The California Children’s Education and Health Care Protection Act of 2016, also known as Proposition 55, was a proposed constitutional amendment initiative that was approved on the November 8, 2016 general election ballot in California. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030, instead of the scheduled expiration date of December 31, 2018. Tax revenue received under Proposition 55 is to be allocated 89% to K-12 schools and 11% to community colleges. Proposition 55 did not extend the sales or excise tax increases of Proposition 30.

California Senate Bill 222

Senate Bill 222 (“**SB 222**”) was signed by the California Governor on July 13, 2015 and became effective on January 1, 2016. SB 222 amended Section 15251 of the California Education Code and added Section 52515 to the California Government Code to provide that voter approved general obligation bonds which are secured by *ad valorem* tax collections such as the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien shall attach automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the issuer, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act. The effect of SB 222 is the treatment of general obligation bonds as secured debt in bankruptcy due to the existence of a statutory lien.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 98, 111, 22, 26, 30, 39 and 55 were each adopted as measures that qualified for the ballot under the State’s initiative process. From time to time other initiative measures could be adopted further affecting District revenues or the District’s ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

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APPENDIX B

**PORTERVILLE UNIFIED SCHOOL DISTRICT
AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2019-20**

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June 30, 2020

Porterville Unified School District

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Independent Auditor's Report

To the Governing Board
Porterville Unified School District
Porterville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Porterville Unified School District (the District) as of and for the year ended June 30, 2020, 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, each major fund, and the aggregate remaining fund information of Porterville Unified School District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 Porterville Unified School District's financial statements. The combining and individual non-major 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 and individual non-major 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 and individual non-major 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 25, 2021 on our consideration of Porterville 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 Porterville 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 Porterville Unified School District's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Fresno, California
March 25, 2021

PORTERVILLE UNIFIED SCHOOL DISTRICT

Creating Opportunities: Changing Lives

DISTRICT BOARD OF TRUSTEES

LILLIAN DURBIN
President

FELIPE A. MARTINEZ
Vice President

JUAN FIGUEROA, JR.
Clerk

600 West Grand Avenue
Porterville, CA 93257
(559) 793-2400

NATE NELSON, Ed.D.
DISTRICT SUPERINTENDENT
(559) 793-2455
(559) 793-1088 FAX

DISTRICT BOARD OF TRUSTEES

DONNA BERRY
Member

JAMES CARSON
Member

PETE LARA, JR.
Member

BRAD ROHRBACH, Ed.D.
Asst. Superintendent
Business Services
(559) 793-2450
(559) 781-8386 FAX

ANDY BUKOSKY, Ed.D.
Asst. Superintendent
Human Resources
(559) 793-2480
(559) 791-0401 FAX

MARTHA STUEMKY, Ed.D.
Asst. Superintendent
Instructional Services
(559) 793-2452
(559) 793-1083 FAX

TOM VELASQUEZ
Member

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Porterville Unified School District's (District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2020, with comparative information for the year ended June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Porterville Unified School District (the District) and its component units using the integrated approach as prescribed by GASB Statement Number 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) and 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 each of the three categories of funds: governmental, proprietary, and fiduciary.

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

The *Proprietary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fiduciary Funds* are trust and agency funds. Trust funds focus reporting on net position and changes in net position, and agency funds report only a balance sheet and do not have a measurement focus.

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 Porterville Unified School District.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

Below you will find a brief review of the significant challenges and changes that occurred in 2019-2020 and are included in the actual revenues and expenditures that were reviewed for the 2019-2020 fiscal year.

- The District continues to receive Local Control Funding Formula increases due to increases in the District's unduplicated pupil percentage. Due to COVID-19 and the related school closures in March 2020, the District transitioned into distance learning and continues to respond to State and County guidance for possible school reopening.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$60.4 million for the fiscal year ended June 30, 2020, and \$45.2 million for the fiscal year ended June 30, 2019; an increase of \$15.2 million. Of this amount, \$36.1 million was restricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use net position for day-to-day operations. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities for the past two fiscal years.

Table 1

	Governmental Activities	
	2020	2019
Assets		
Current and other assets	\$ 130,882,183	\$ 101,588,344
Capital assets	210,444,014	208,523,277
Total assets	341,326,197	310,111,621
Deferred outflows of resources	63,092,785	52,955,962
Liabilities		
Current liabilities	17,998,730	12,070,139
Long-term liabilities	295,937,278	297,356,131
Total liabilities	313,936,008	309,426,270
Deferred inflows of resources	30,088,696	8,463,443
Net Position		
Net investment in capital assets	166,303,428	157,786,217
Restricted	36,123,250	30,762,041
Unrestricted	(142,032,400)	(143,370,388)
Total net position	\$ 60,394,278	\$ 45,177,870

The \$60.4 million in net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased by \$1.4 million.

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 past two fiscal years.

Table 2

	Governmental Activities	
	2020	2019
Revenues		
Program revenues		
Charges for services	\$ 690,295	\$ 423,068
Operating grants and contributions	43,995,636	47,965,991
Capital grants and contributions	3,082,078	2,410,464
General revenues		
Federal and State aid not restricted	153,341,174	146,316,951
Property taxes	17,875,452	17,074,859
Other general revenues	6,025,263	7,064,466
Total revenues	225,009,898	221,255,799
Expenses		
Instruction-related	139,652,077	142,555,384
Pupil services	31,052,062	31,226,854
Administration	7,585,226	5,789,798
Plant services	21,446,487	21,766,926
Other	10,057,638	11,857,273
Total expenses	209,793,490	213,196,235
Change in net position	\$ 15,216,408	\$ 8,059,564

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was \$209.8 million, as compared to \$213.2 million in the prior year. 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 \$0.7 million or by other governments and organizations who subsidized certain programs with grants and contributions totaling \$47.1 million. We paid for the remaining “public benefit” portion of our governmental activities with \$153.3 million in Federal and State funds and with \$6.0 million in other revenues, like interest and general entitlements.

In Table 3, we have presented the net cost 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	
	2020	2019	2020	2019
Instruction	\$ 139,652,077	\$ 142,555,384	\$ (112,237,595)	\$(114,004,748)
Pupil services	31,052,062	31,226,854	(16,390,724)	(15,972,102)
Administration	7,585,226	5,789,798	(6,411,887)	(4,860,976)
Plant services	21,446,487	21,766,926	(21,088,056)	(20,799,904)
All other services	10,057,638	11,857,273	(5,897,219)	(6,758,982)
Total	\$ 209,793,490	\$ 213,196,235	\$ (162,025,481)	\$(162,396,712)

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$97.3 million, while the prior year reported a balance of \$74.3 million.

The primary reasons for the change are:

- a. Our General Fund is our principal operating fund. Fund balance increased \$12.6 million, primarily due to increased State funding and Local Control Formula Funding and cost containment measures.
- b. Our special revenue funds showed an increase of \$1.3 million, primarily due to an increase in Local Control Formula Funding in the Charter Schools Fund.
- c. The capital projects funds showed an increase of \$6.8 million, primarily due to the issuance of capital debt and receipt of state construction funds.
- d. The debt service funds increased by \$2.2 million as tax collections exceeded current year debt payments.

Table 4

Governmental Fund	Balances and Activity			
	June 30, 2019	Revenues	Expenditures	June 30, 2020
General	\$ 37,923,143	\$ 190,680,759	\$ 178,038,464	\$ 50,565,438
Charter Schools	2,077,105	12,247,327	11,905,484	2,418,948
Adult Education	992,944	2,363,960	2,554,520	802,384
Child Development	57,382	2,720,682	2,680,061	98,003
Cafeteria	1,594,728	12,846,454	12,389,961	2,051,221
Deferred Maintenance	129,197	937,009	308,971	757,235
Building	4,671,988	9,477,227	5,367,518	8,781,697
Capital Facilities	1,171,174	967,363	239,156	1,899,381
State School Building Lease-Purchase	36	1	-	37
County School Facilities	5,746,959	3,094,903	4,642,796	4,199,066
Special Reserve Fund for Capital Outlay Projects	2,024,326	4,585,179	1,069,536	5,539,969
Financing District - Building Fund	2,249	105	-	2,354
Bond Interest and Redemption	535,814	249,283	248,975	536,122
Financing District - Debt Service	4,272,556	2,097,791	1,577,413	4,792,934
COP Debt Service	13,131,498	1,709,352	-	14,840,850
Total	<u>\$ 74,331,099</u>	<u>\$ 243,977,395</u>	<u>\$ 221,022,855</u>	<u>\$ 97,285,639</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 on September 10, 2020. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

For the prior year, the District had \$208.5 million in a broad range of capital assets, including land, buildings, and furniture and equipment (net of depreciation). For the current year, the total net fixed assets totaled \$210.4 million. This amount represents a net increase (including additions and depreciation) of \$1.9 million.

Table 5

	Governmental Activities	
	2020	2019
Land and construction in progress	\$ 14,683,356	\$ 9,239,392
Buildings and improvements	192,169,741	195,807,761
Equipment	3,590,917	3,476,124
Total	\$ 210,444,014	\$ 208,523,277

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

Long-Term Liabilities

At the end of this year, the District had \$295.9 million in liabilities outstanding versus \$296.5 million last year, a decrease of \$0.5 million. Those obligations consisted of:

Table 6

	Governmental Activities	
	2020	2019
Long-Term Liabilities		
General obligation bonds	\$ 24,990,424	\$ 25,493,740
Qualified Zone Academy Bonds	8,357,161	9,319,859
Certificates of participation	25,170,000	25,335,000
Unamortized premiums/(discounts)	(70,090)	(89,006)
Compensated absences	673,356	587,842
Total OPEB liability	64,049,545	67,285,327
Aggregate net pension liability	172,766,882	168,531,053
Total	\$ 295,937,278	\$ 296,463,815

The District's general obligation bond S&P rating at the time of their last issuance was "AA". In addition, the District's certificates of participation S&P rating at the time of their last issuance was "A".

At year-end, the District has a net pension liability of \$172.8 million versus \$168.5 million last year, an increase of \$4.3 million or 2.5 percent. The District also reported deferred outflows of resources from pension activities of \$46.0 million, and deferred inflows of resources from pension activities of \$10.0 million. We present more detailed information regarding our long-term liabilities in the Notes to Financial Statements.

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

Porterville Unified School District continues to expand Linked Learning pathways with the support and funding from Local Control Accountability Plan and Career Technical Education Incentive Grant.

Porterville Unified School District applied for and was granted the California Volunteers AmeriCorp Grant. The AmeriCorp grant will support AmeriCorps Fellows who will be instructing 3rd, 4th, and 5th grade students in reading, math, and social emotional learning.

Porterville Unified School District was awarded the Career Technical Education Facilities Program Grant on March 19, 2019. This grant was used to construct the Granite Hills High School Law and Justice Center that consists of six courtroom classrooms, two forensic labs, and a teacher workroom. The project was completed in November 2020.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2020-2021 year, the District Board and management used the following criteria:

The key assumptions in our revenue forecast are:

1. Local Control Funding Formula (LCFF) is fully implemented and provides most of the District's state income.
2. District continues to receive additional California Career Technical Education Incentive Grants (CTEIG) and the Strong Workforce Program Grant (SWP).
3. Interest earnings have increased slightly due to higher earnings from the County Treasury.
4. Developer fee collections were steady in 2019-2020 and continue to slightly increase in the 2020-2021 school year as construction of residential housing has stayed steady.

Expenditures are based on the following forecasts:

1. Step and column adjustments.
2. Increase in the District cost of the employee health benefits, based on the negotiated maximum district contribution.
3. Decreases in energy costs continue due to the implementation of the PUSD Energy & Sustainability program that monitors solar generation and electricity and gas usage, with savings being applied to debt service.
4. Increase participation in Linked Learning Pathways and funding from the Career Technical Education Incentive Grant (CTEIG) and the Strong Workforce Grant (SWP).

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Porterville Unified School District, 600 West Grand Avenue, Porterville, California, 93257.

Porterville Unified School District
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets	
Deposits and investments	\$ 85,116,878
Receivables	45,319,442
Stores inventories	445,863
Capital assets not depreciated	14,683,356
Capital assets, net of accumulated depreciation	195,760,658
Total assets	341,326,197
Deferred Outflows of Resources	
Deferred charge on refunding	57,653
Deferred outflows of resources related to other postemployment benefits (OPEB) liability	16,990,232
Deferred outflows of resources related to pensions	46,044,900
Total deferred outflows of resources	63,092,785
Liabilities	
Accounts payable	10,057,827
Unearned revenue	7,638,513
Claims liability	302,390
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	3,647,310
Long-term liabilities other than OPEB and pensions due in more than one year	55,473,541
Net other postemployment benefits liabilities	64,049,545
Aggregate net pension liabilities	172,766,882
Total liabilities	313,936,008
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	20,100,024
Deferred inflows of resources related to pensions	9,988,672
Total deferred inflows of resources	30,088,696
Net Position	
Net investment in capital assets	166,303,428
Restricted for	
Debt service	20,169,906
Capital projects	6,098,484
Educational programs	4,414,905
Child nutrition	1,689,955
Pension trust	3,750,000
Unrestricted	(142,032,400)
Total net position	\$ 60,394,278

Porterville Unified School District
Statement of Activities
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction	\$ 115,850,855	\$ 77,520	\$ 19,410,767	\$ 3,082,078	\$ (93,280,490)
Instruction-related activities					
Supervision of instruction	9,146,403	6,321	3,721,808	-	(5,418,274)
Instructional library, media, and technology	2,686,962	-	9,815	-	(2,677,147)
School site administration	11,967,857	11,407	1,094,766	-	(10,861,684)
Pupil services					
Home-to-school transportation	3,019,925	-	-	-	(3,019,925)
Food services	12,652,978	260,955	11,499,064	-	(892,959)
All other pupil services	15,379,159	3,380	2,897,939	-	(12,477,840)
Administration					
Data processing	1,372,328	-	-	-	(1,372,328)
All other administration	6,212,898	27,433	1,145,906	-	(5,039,559)
Plant services	21,446,487	20,971	337,460	-	(21,088,056)
Ancillary services	3,051,652	-	1,029,600	-	(2,022,052)
Community services	2,710,953	-	2,153,342	-	(557,611)
Interest on long-term liabilities	3,462,058	-	-	-	(3,462,058)
Other outgo	832,975	282,308	695,169	-	144,502
Total governmental activities	<u>\$ 209,793,490</u>	<u>\$ 690,295</u>	<u>\$ 43,995,636</u>	<u>\$ 3,082,078</u>	<u>(162,025,481)</u>
General Revenues and Subventions					
Property taxes, levied for general purposes					15,428,388
Property taxes, levied for debt service					2,245,802
Taxes levied for other specific purposes					201,262
Federal and State aid not restricted to specific purposes					153,341,174
Interest and investment earnings					2,249,348
Miscellaneous					<u>3,775,915</u>
Subtotal, general revenues					<u>177,241,889</u>
Change in Net Position					15,216,408
Net Position - Beginning					<u>45,177,870</u>
Net Position - Ending					<u>\$ 60,394,278</u>

Porterville Unified School District
Balance Sheet – Governmental Funds
June 30, 2020

	General Fund	COP Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Deposits and investments	\$ 30,676,431	\$ 14,840,850	\$ 24,977,774	\$ 70,495,055
Receivables	35,262,461	-	8,780,371	44,042,832
Due from other funds	1,509,497	-	1,148,298	2,657,795
Stores inventories	84,597	-	361,266	445,863
	<u>67,532,986</u>	<u>14,840,850</u>	<u>35,267,709</u>	<u>117,641,545</u>
Total assets	\$ 67,532,986	\$ 14,840,850	\$ 35,267,709	\$ 117,641,545
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 9,169,749	\$ -	\$ 888,078	\$ 10,057,827
Due to other funds	993,048	-	1,666,518	2,659,566
Unearned revenue	6,804,751	-	833,762	7,638,513
	<u>16,967,548</u>	<u>-</u>	<u>3,388,358</u>	<u>20,355,906</u>
Total liabilities	16,967,548	-	3,388,358	20,355,906
Fund Balances				
Nonspendable	109,597	-	361,266	470,863
Restricted	7,307,135	14,840,850	22,759,316	44,907,301
Committed	-	-	1,136,650	1,136,650
Assigned	-	-	7,622,119	7,622,119
Unassigned	43,148,706	-	-	43,148,706
	<u>50,565,438</u>	<u>14,840,850</u>	<u>31,879,351</u>	<u>97,285,639</u>
Total fund balances	50,565,438	14,840,850	31,879,351	97,285,639
Total liabilities and fund balances	\$ 67,532,986	\$ 14,840,850	\$ 35,267,709	\$ 117,641,545

Porterville Unified School District
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2020

Total Fund Balance - Governmental Funds		\$ 97,285,639
<p>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p>		
The cost of capital assets is	\$ 305,295,959	
Accumulated depreciation is	<u>(94,851,945)</u>	
Net capital assets		210,444,014
<p>An internal service fund is used by management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.</p>		
		15,597,814
<p>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</p>		
Debt refundings	57,653	
Other postemployment benefits	16,990,232	
Net pension obligation	<u>46,044,900</u>	
Total deferred outflows of resources		63,092,785
<p>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</p>		
Other postemployment benefits	(20,100,024)	
Net pension obligation	<u>(9,988,672)</u>	
Total deferred inflows of resources		(30,088,696)
<p>Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.</p>		
		(172,766,882)
<p>The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.</p>		
		(64,049,545)

Porterville Unified School District
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
 June 30, 2020

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	(19,843,320)
Qualified zone academy bonds	(8,357,161)
Certificates of participation	(24,781,809)
Compensated absences (vacations)	(673,356)

In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is

(5,465,205)

Total long-term liabilities

(59,120,851)

Total net position - governmental activities

\$ 60,394,278

Porterville Unified School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2020

	General Fund	COP Debt Service Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local Control Funding Formula	\$ 153,362,149	\$ -	\$ 10,834,962	\$ 164,197,111
Federal sources	11,832,940	-	13,029,696	24,862,636
Other State sources	16,460,216	-	9,136,460	25,596,676
Other local sources	7,025,454	328,955	5,810,896	13,165,305
Total revenues	<u>188,680,759</u>	<u>328,955</u>	<u>38,812,014</u>	<u>227,821,728</u>
Expenditures				
Current				
Instruction	95,954,842	-	11,781,576	107,736,418
Instruction-related activities				
Supervision of instruction	8,314,717	-	592,540	8,907,257
Instructional library, media, and technology	2,333,479	-	56,686	2,390,165
School site administration	9,193,291	-	1,918,463	11,111,754
Pupil services				
Home-to-school transportation	1,628,315	-	-	1,628,315
Food services	71,888	-	11,984,661	12,056,549
All other pupil services	13,436,157	-	1,159,734	14,595,891
Administration				
Data processing	1,253,290	-	-	1,253,290
All other administration	4,935,440	-	780,514	5,715,954
Plant services	19,134,465	-	710,206	19,844,671
Ancillary services	3,081,380	-	18,722	3,100,102
Community services	2,692,768	-	-	2,692,768
Other outgo	2,832,975	-	-	2,832,975
Facility acquisition and construction	393,021	-	7,537,105	7,930,126
Debt service				
Principal	-	-	2,532,698	2,532,698
Interest and other	7,166	-	2,531,089	2,538,255
Total expenditures	<u>165,263,194</u>	<u>-</u>	<u>41,603,994</u>	<u>206,867,188</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>23,417,565</u>	<u>328,955</u>	<u>(2,791,980)</u>	<u>20,954,540</u>
Other Financing Sources (Uses)				
Transfers in	2,000,000	1,380,397	12,775,270	16,155,667
Transfers out	(12,775,270)	-	(1,380,397)	(14,155,667)
Net Financing Sources (Uses)	<u>(10,775,270)</u>	<u>1,380,397</u>	<u>11,394,873</u>	<u>2,000,000</u>
Net Change in Fund Balances	12,642,295	1,709,352	8,602,893	22,954,540
Fund Balance - Beginning	<u>37,923,143</u>	<u>13,131,498</u>	<u>23,276,458</u>	<u>74,331,099</u>
Fund Balance - Ending	<u>\$ 50,565,438</u>	<u>\$ 14,840,850</u>	<u>\$ 31,879,351</u>	<u>\$ 97,285,639</u>

Porterville 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, 2020

Total Net Change in Fund Balances - Governmental Funds \$ 22,954,540

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 exceeds depreciation in the period.

Depreciation expense	\$ (6,429,852)	
Capital outlays	<u>8,350,589</u>	

Net expense adjustment		1,920,737
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The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was (901,684)

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. (85,514)

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. (10,746,635)

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, deferred inflows, and net OPEB liability during the year. (846,323)

Deferred amounts on refunding (the difference between the reacquisition price of the net carrying amount of the refunded debt) are capitalized and amortized over the remaining life of the new or old debt, whichever is shorter. (3,203)

Porterville 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, 2020

Governmental funds report the effect of premiums, discounts, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.

Premium amortization	36,540
Discount amortization	(55,456)

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	1,405,000
Qualified zone academy bonds	962,698
Certificates of participation	165,000

An internal service fund is used by management to charge the costs of the self insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.

410,708

Change in net position of governmental activities

\$ 15,216,408

Porterville Unified School District
Statement of Net Position – Proprietary Funds
June 30, 2020

	<u>Governmental Activities - Internal Service Fund</u>
Assets	
Current assets	
Deposits and investments	\$ 14,621,823
Receivables	1,276,610
Due from other funds	<u>3,986</u>
Total current assets	<u>15,902,419</u>
Liabilities	
Current liabilities	
Due to other funds	<u>2,215</u>
Noncurrent liabilities	
Claims liabilities	<u>302,390</u>
Total liabilities	<u>304,605</u>
Net Position	
Unrestricted	<u><u>\$ 15,597,814</u></u>

Porterville Unified School District
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
Year Ended June 30, 2020

	<u>Governmental Activities - Internal Service Fund</u>
Operating Revenues	
Charges for services	<u>\$ 27,016,330</u>
Operating Expenses	
Supplies and materials	915
Other operating cost	<u>24,739,744</u>
Total operating expenses	<u>24,740,659</u>
Operating Income	<u>2,275,671</u>
Nonoperating Revenues	
Fair market value adjustments	15,933
Interest income	<u>119,104</u>
Total nonoperating revenues	<u>135,037</u>
Income before capital contributions and transfers	2,410,708
Transfers out	<u>(2,000,000)</u>
Change in Net Position	410,708
Total Net Position - Beginning	<u>15,187,106</u>
Total Net Position - Ending	<u><u>\$ 15,597,814</u></u>

Porterville Unified School District
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2020

	<u>Governmental Activities - Internal Service Fund</u>
Operating Activities	
Cash receipts from customers	\$ 25,739,720
Cash payments for interfund services provided	2,215
Cash receipts for interfund services provided	(3,986)
Other operating cash payments	<u>(25,752,215)</u>
Net Cash Used for Operating Activities	<u>(14,266)</u>
Investing Activities	
Contribution to pension trust, General Fund	(2,000,000)
Interest on investments	<u>135,037</u>
Net Cash Used for Investing Activities	<u>(1,864,963)</u>
Net Change in Cash and Cash Equivalents	(1,879,229)
Cash and Cash Equivalents, Beginning	<u>16,501,052</u>
Cash and Cash Equivalents, Ending	<u>\$ 14,621,823</u>
Reconciliation of Operating Income to Net Cash Used for Operating Activities	
Operating income	\$ 2,275,671
Changes in assets and liabilities	
Receivables	(1,276,610)
Due from other fund	(3,986)
Claims liability	(1,011,556)
Due to other fund	<u>2,215</u>
Net Cash Used for Operating Activities	<u>\$ (14,266)</u>

Porterville Unified School District
Statement of Net Position – Fiduciary Funds
June 30, 2020

	<u>Scholarship Trust</u>	<u>Warrant Pass Through Agency Fund</u>	<u>Agency Funds</u>
Assets			
Deposits and investments	<u>\$ 1,012,575</u>	<u>\$ 38,674</u>	<u>\$ 1,426,504</u>
Liabilities			
Due to student groups	-	-	\$ 1,426,504
Due to other agencies	-	<u>38,674</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>\$ 38,674</u>	<u>\$ 1,426,504</u>
Net Position			
Reserved for scholarships	<u>\$ 1,012,575</u>		

Porterville Unified School District
Statement of Changes in Net Position – Fiduciary Funds
Year Ended June 30, 2020

	Scholarship Trust
Additions	
Private donations	\$ 148,564
Interest	8,996
Total additions	157,560
Deductions	
Other expenditures	36
Scholarships awarded	76,650
Total deductions	76,686
Change in Net Position	80,874
Net Position - Beginning	931,701
Net Position - Ending	\$ 1,012,575

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Porterville Unified School District was unified on July 1, 1998, 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 ten elementary schools, three intermediate schools, four high schools, three charter schools, one continuation school, two alternative education schools and an adult 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 Porterville Unified School District, this includes general operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component unit described below has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, as amended by GASB Statement No. 39, Determining Whether Certain Organizations are Component Units, and GASB Statement No. 80, Blending Requirements For Certain Component Units and thus is included in the financial statements of the District. The component units, although legally separate entities, are reported in the financial statements using the blended presentation method as if they were part of the District's operations because the governing board of the component units is essentially the same as the governing board of the District and because their purpose is for the benefit of the District.

The Porterville Schools Improvement Corporation's financial activity is presented in the financial statements in the Financing District - Building Fund and the Financing District - Debt Service Fund. Certificates of Participation and Qualified Zone Academy Bonds issued by the Corporation are included as long-term liabilities in the government-wide financial statements. Individually-prepared financial statements are not prepared for Porterville Schools Improvement Corporation.

The District has approved charters for Butterfield Charter High School, Harmony Magnet Academy, and Porterville Military Academy pursuant to *Education Code* Section 47605. The schools 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 grouped into three broad fund categories: governmental, proprietary, and fiduciary.

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 Funds

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.

COP Debt Service Fund The COP Debt Service Fund is used to account for the interest and redemption of principal of Certificates of Participation.

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.

- **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).

- **Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

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).

- **Building Fund** The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.
- **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).
- **State School Building Lease-Purchase Fund** The State School Building Lease-Purchase Fund is used primarily to account separately for State apportionments for the reconstruction, remodeling, or replacement of existing school buildings or the acquisition of new school sites and buildings, as provided in the Leroy F. Greene State School Building Lease-Purchase Law of 1976 (*Education Code* Section 17000 et seq.).
- **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 IA), 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).
- **Financing District - Building Fund** The Financing District - Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and the acquisition of major governmental capital facilities and buildings.

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).
- **Financing District - Debt Service Fund** The Financing District - Debt Service Fund is used to account for the accumulation of resources for, and the repayment of the Financing District's Qualified Zone Academy Bonds.

Proprietary Funds Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District's Proprietary Fund is classified as an internal service.

- **Internal Service Fund** Internal service funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a Self-Insurance Fund that is accounted for in an internal service fund.

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into two classifications: trust and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's trust fund is the scholarship fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency funds account for warrant pass throughs and student body activities.

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. This is the same approach used in the preparation of the proprietary fund financial statements, but 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, and program revenues for each governmental function, and exclude fiduciary activity. 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 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 financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

- **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.
- **Proprietary Funds** Proprietary funds are accounted for using a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.
- **Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

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 requirements. 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.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments 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 weighted average basis. The costs of inventory items are recorded as expenditures in the governmental type 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. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$15,000. 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 of capital assets is computed and recorded by 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 as long-term liabilities.

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.

Debt Premiums and Discounts

In the government-wide financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities statement of net position. Debt premiums and discounts are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In governmental fund financial statements, bond premiums and discounts are recognized in the period the bonds are issued. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources.

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. The deferred charge on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate to differences between expected and actual earnings on investments, changes of assumptions, and other pension and OPEB related changes.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items and OPEB related items.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

Postemployment Benefits Other Than Pensions (OPEB)

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

Fund Balances - Governmental Funds

As of June 30, 2020, 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 Assistant Superintendent of Business Services or the Fiscal Compliance Officer 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 one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three 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 \$36,123,250 of restricted net position.

Interfund Activity

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 and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental activities column of the Statement of Activities.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are Self-Insurance contributions. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

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 Tulare bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 84, Fiduciary Activities
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)
- Implementation Guide No. 2018-1, Implementation Guidance Update—2018
- Implementation Guide No. 2019-1, Implementation Guidance Update—2019
- Implementation Guide No. 2019-2, Fiduciary Activities.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, Leases
- Implementation Guide No. 2019-3, Leases.

The provisions of this Statement have been implemented as of June 30, 2020.

New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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.

As a result of the implementation of GASB Statement No. 95, 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.

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the

economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

In August 2018, the GASB issued Statement 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying

the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.

- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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

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

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.

- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

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

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

As a result of the implementation of GASB Statement No. 95, the removal of LIBOR as an appropriate benchmark interest rate (paragraph 11b) is effective for reporting periods ending after December 31, 2021. Paragraph 13 and 14 related to lease modifications is effective for reporting periods beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement

(SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In May 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2020, the GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. 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, 2020, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 70,495,055
Proprietary funds	14,621,823
Fiduciary funds	<u>2,477,753</u>
Total deposits and investments	<u><u>\$ 87,594,631</u></u>

Deposits and investments as of June 30, 2020, consist of the following:

Cash on hand and in banks	\$ 19,370,127
Cash collections awaiting deposit	3,750,000
Cash in revolving	25,000
Investments	<u>64,449,504</u>
Total deposits and investments	<u><u>\$ 87,594,631</u></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 does not have 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.

Segmented Time Distribution

Information about the sensitivity of the fair values of the District’s investments to market interest rate fluctuations is provided by the following schedule that shows the distribution of the District’s investments by maturity:

Investment Type	Reported Amount	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
Held by Trustee:					
Natixis Repurchase Agreement	\$ 9,622,608	\$ -	\$ -	\$ -	\$ 9,622,608
U.S. Treasuries	436,381	436,381	-	-	-
County Pool	54,390,515	-	-	54,390,515	-
Total	\$ 64,449,504	\$ 436,381	\$ -	\$ 54,390,515	\$ 9,622,608

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. None of the District’s investment were required to be rated as of June 30, 2020.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the *California Government Code*. Investments in any one issuer that represent five percent or more of the total investments are as follows:

Issuer	Investment Type	Reported Amount
Natixis Repurchase Agreement	Repurchase Agreement	\$ 9,622,608

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. 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, 2020, \$19,637,084 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.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investment in Natixis Repurchase Agreement of \$9,622,608, the District has a custodial credit risk exposure of the entire amount because the related securities are uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

Note 3 - Fair Value Measurements

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.
- Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.
- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Tulare County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share. The County Treasury Investment Pool has a daily redemption frequency period and a one-day redemption notice period.

The District's fair value measurements are as follows at June 30, 2020:

Investment Type	Reported Amount	Fair Value Measurements Using			Uncategorized
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
Natixis Repurchase Agreement	\$ 9,622,608	\$ 9,622,608	\$ -	\$ -	\$ -
U.S. Treasuries	436,381	436,381	-	-	-
County Pool	54,390,515	-	-	-	54,390,515
Total	\$ 64,449,504	\$ 10,058,989	\$ -	\$ -	\$ 54,390,515

All assets have been valued using a market approach, with quoted market prices.

Note 4 - Receivables

Receivables at June 30, 2020, consist of intergovernmental grants, entitlements, and local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Internal Service Fund	Total
Federal Government				
Categorical aid	\$ 8,491,699	\$ 2,184,657	\$ -	\$ 10,676,356
State Government				
State apportionment	23,812,858	1,707,961	-	25,520,819
Other State	2,730,336	4,010,631	-	6,740,967
Local Sources	227,568	877,122	1,276,610	2,381,300
Total	\$ 35,262,461	\$ 8,780,371	\$ 1,276,610	\$ 45,319,442

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020, is as follows:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 7,569,931	\$ -	\$ -	\$ 7,569,931
Construction in progress	1,669,461	5,891,210	(447,246)	7,113,425
Total capital assets not being depreciated	9,239,392	5,891,210	(447,246)	14,683,356
Capital assets being depreciated				
Land improvements	18,822,634	1,344,027	-	20,166,661
Buildings and improvements	255,612,196	891,271	-	256,503,467
Furniture and equipment	13,271,148	671,327	-	13,942,475
Total capital assets being depreciated	287,705,978	2,906,625	-	290,612,603
Total capital assets	296,945,370	8,797,835	(447,246)	305,295,959
Accumulated depreciation				
Land improvements	(8,686,618)	(637,429)	-	(9,324,047)
Buildings and improvements	(69,940,451)	(5,235,889)	-	(75,176,340)
Furniture and equipment	(9,795,024)	(556,534)	-	(10,351,558)
Total accumulated depreciation	(88,422,093)	(6,429,852)	-	(94,851,945)
Governmental activities capital assets, net	\$ 208,523,277	\$ 2,367,983	\$ (447,246)	\$ 210,444,014

Depreciation expense was charged to functional expenses as follows:

Governmental Activities	
Instruction	\$ 3,086,329
School site administration	257,194
Home-to-school transportation	1,414,567
Food services	450,090
Data processing	64,298
All other administration	192,896
Plant services	964,478
Total depreciation expenses governmental activities	\$ 6,429,852

Note 6 - 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, 2020, are as follows:

Funds	Due from Other Funds	Due to Other Funds
Major Governmental Fund		
General	\$ 1,509,497	\$ 993,048
Non-Major Governmental Funds		
Charter Schools	1,094,739	90,200
Adult Education	-	12,910
Child Development	-	174,718
Cafeteria	-	1,388,690
Special Reserve Fund for Capital Outlay Projects	53,559	-
Proprietary Funds		
Internal Service-Self Insurance	3,986	2,215
Total	\$ 2,661,781	\$ 2,661,781

All balances resulted from the time lag between that date (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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, 2020, consist of the following:

The General Fund transferred to the Adult Education Non-Major Governmental Fund for cash flow purposes.	\$ 175,270
The General Fund transferred to the Deferred Maintenance Non-Major Governmental for future maintenance projects.	900,000
The General Fund transferred to the Building Non-Major Governmental Fund for future construction projects.	400,000
The General Fund transferred to the Building Non-Major Governmental Fund for future debt service costs.	7,000,000
The General Fund transferred to the Special Reserve Capital Outlay Non-Major Governmental Fund for future capital projects.	3,700,000
The Self Insurance Fund transferred to the General Fund to contribute funds towards the SISC Pension trust.	2,000,000
The General Fund transferred to the Special Reserve Capital Outlay Non-Major Governmental Fund for the purchase of buses.	600,000
The Building Non-Major Governmental Fund transferred to the COP Debt Service Fund to transfer cash with fiscal agent funds.	<u>1,380,397</u>
Total	<u><u>\$ 16,155,667</u></u>

Note 7 - Accounts Payable

Accounts payable at June 30, 2020, consist of the following:

	General Fund	Non-Major Governmental Funds	Total	Internal Service Fund
Vendor payables	\$ 2,246,579	\$ 888,078	\$ 3,134,657	\$ 302,390
State LCFF apportionment	6,178,332	-	6,178,332	-
Salaries and benefits payables	275,568	-	275,568	-
Deferred payroll	469,270	-	469,270	-
Total	<u><u>\$ 9,169,749</u></u>	<u><u>\$ 888,078</u></u>	<u><u>\$ 10,057,827</u></u>	<u><u>\$ 302,390</u></u>

Note 8 - Unearned Revenue

Unearned revenue at June 30, 2020, consists of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 6,178,172	\$ 113,066	\$ 6,291,238
State categorical aid	481,812	718,671	1,200,483
Other local	144,767	2,025	146,792
Total	\$ 6,804,751	\$ 833,762	\$ 7,638,513

Note 9 - 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, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 25,493,740	\$ 901,684	\$ (1,405,000)	\$ 24,990,424	\$ 2,476,155
Qualified zone academy bonds	9,319,859	-	(962,698)	8,357,161	1,001,155
Certificates of participation	25,335,000	-	(165,000)	25,170,000	170,000
Unamortized debt premiums	354,641	-	(36,540)	318,101	-
Unamortized debt discounts	(443,647)	-	55,456	(388,191)	-
Compensated absences	587,842	85,514	-	673,356	-
Total	\$ 60,647,435	\$ 987,198	\$ (2,513,782)	\$ 59,120,851	\$ 3,647,310

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund and the Financing District-Debt Service Fund. Payments on the qualified zone academy bonds are made by the Building Fund. Payments on the certificates of participation are made by the Adult Education Fund, the Building Fund, and the Special Reserve Capital Outlay Fund. The compensated absences are paid by the fund for which the employees worked. The premiums and discounts are being amortized over the life of the related debt.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2020
General Obligation							
12/17/02	8/1/26	5.50-5.53	\$ 449,222	\$ 449,222	\$ -	\$ -	\$ 449,222
			-	2,408,713	338,008	-	2,746,721
12/14/04	8/1/29	4.67-8.75	1,476,492	1,268,844	-	(80,225)	1,188,619
			-	1,819,443	190,949	(84,775)	1,925,617
11/1/07	8/1/30	4.56-4.93	5,302,986	63,792	-	-	63,792
			-	186,048	30,780	-	216,828
11/3/11	8/1/27	2.00-4.25	2,880,000	1,915,000	-	(175,000)	1,740,000
11/3/11	8/1/23	2.00-3.75	10,215,000	5,635,000	-	(960,000)	4,675,000
11/15/18	8/1/31	3.00-4.00	3,785,000	3,785,000	-	(105,000)	3,680,000
11/15/18	8/1/37	3.87-4.46	7,728,586	7,728,586	-	-	7,728,586
			-	234,092	341,947	-	576,039
Qualified Zone Academy Bond							
3/1/13	3/16/30	1.45	15,000,000	9,319,859	-	(962,698)	8,357,161
Total				<u>\$ 34,813,599</u>	<u>\$ 901,684</u>	<u>\$ (2,367,698)</u>	<u>\$ 33,347,585</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
2021	\$ 84,713	\$ 100,287	\$ 185,000	\$ -	\$ 185,000
2022	90,443	109,183	199,626	10,374	210,000
2023	95,060	117,004	212,064	22,936	235,000
2024	98,647	123,809	222,456	37,544	260,000
2025	213,944	895,266	1,109,210	575,790	1,685,000
2026-2030	1,055,034	3,326,789	4,381,823	3,763,177	8,145,000
2031-2035	4,459,208	534,591	4,993,799	3,771,201	8,765,000
2036-2040	3,333,170	258,276	3,591,446	3,633,554	7,225,000
Total	<u>\$ 9,430,219</u>	<u>\$ 5,465,205</u>	<u>\$ 14,895,424</u>	<u>\$ 11,814,576</u>	<u>\$ 26,710,000</u>

The current interest bonds mature as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2021	\$ 1,290,000	\$ 390,538	\$ 1,680,538
2022	1,385,000	327,238	1,712,238
2023	1,460,000	279,213	1,739,213
2024	1,555,000	228,113	1,783,113
2025	270,000	169,675	439,675
2026-2030	2,310,000	608,672	2,918,672
2031-2035	1,825,000	100,220	1,925,220
Total	\$ 10,095,000	\$ 2,103,669	\$ 12,198,669

Qualified Zone Academy Bond

2013 Qualified Zone Academy Bond, Current Interest Portion

Fiscal Year	Principal	Interest to Maturity	Total
2021	\$ 1,001,155	\$ 121,234	\$ 1,122,389
2022	659,467	106,717	766,184
2023	695,150	97,155	792,305
2024	732,200	87,075	819,275
2025	770,667	76,458	847,125
2026-2030	4,498,522	202,757	4,701,279
Total	\$ 8,357,161	\$ 691,396	\$ 9,048,557

Certificates of Participation

On September 1, 2004, the Porterville Schools Improvement Corporation issued certificates of participation in the amount of \$2,170,000 with interest rates ranging from 2.0 to 4.1 percent. The certificates were issued to construct facilities. At June 30, 2020, the outstanding principal balance was \$170,000.

On July 14, 2010, the District issued 2010 Series A Certificates of Participation in the amount of \$25,000,000. The Certificates will be delivered as Qualified School Construction Bonds with direct subsidies to be paid to the District by the United States Department of the Treasury. Interest with respect to the Certificates is payable each January 1 and July 1, commencing January 1, 2011, at a rate of 7.25 percent. The Certificates are being issued to finance a solar photovoltaic project and for the construction and improvement of various school facilities of the District.

Year Ending June 30,	Principal	Interest	Total
2021	\$ 170,000	\$ 1,815,985	\$ 1,985,985
2022	-	1,812,500	1,812,500
2023	-	1,812,500	1,812,500
2024	-	1,812,500	1,812,500
2025	-	1,812,500	1,812,500
2026-2030	25,000,000	3,625,000	28,625,000
Total	<u>\$ 25,170,000</u>	<u>\$ 12,690,985</u>	<u>\$ 37,860,985</u>

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2020, amounted to \$673,356.

Note 10 - Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2020, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Health Plan	\$ 63,187,648	\$ 16,990,232	\$ 20,100,024	\$ 6,452,010
Medicare Premium Payment (MPP) Program	861,897	-	-	(30,419)
Total	<u>\$ 64,049,545</u>	<u>\$ 16,990,232</u>	<u>\$ 20,100,024</u>	<u>\$ 6,421,591</u>

The details of each plan are as follows:

District Plan

Plan Administration

The Public Agency Retirement Services (PARS) administers the Postemployment Benefits Plan (the Plan). The plan is a multiple-employee agent defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

Financial information for PARS can be found on the PARS website at: <http://www.pars.org>.

Plan Membership

At June 30, 2020, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	495
Active employees	<u>1,165</u>
Total	<u><u>1,660</u></u>

Benefits Provided

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

Contributions

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Porterville Educators Association (PEA), 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, PEA, CSEA, and the unrepresented groups. For measurement period of June 30, 2020, the District paid \$5,575,268 in benefits including \$3,922,161 in pay as you go current premiums. The remainder is being held in the District’s OPEB trust.

Net OPEB Liability of the District

The District’s total OPEB liability of \$64,840,755 was measured as of June 30, 2020, and the net OPEB liability was determined by an actuarial valuation as of the same date.

Total OPEB liability	\$ 64,840,755
Plan fiduciary net position	<u>(1,653,107)</u>
Net OPEB liability	<u><u>\$ 63,187,648</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u><u>2.55%</u></u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.63 percent
Salary increases	2.75 percent, average, including inflation
Valuation interest rate	6.50 percent
Investment rate of return	6.50 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	4.00 percent for 2019

The valuation and investment rate of return were based on expected earnings within the District's OPEB trust.

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2017 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) 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 hired prior to 2013 are based on the 2020 CalSTRS 2.0 percent at 60 year old rates and for those hired after 2012 are based on the 2020 CalSTRS 2.0 percent at 62 year old rates. For classified employees hired prior to 2013, retirement rates were based on the 2017 CalPERS 2.0 percent at 55 years old rates and for those hired after 2012 the rates are based on the 2017 CalPERS 2.0 percent at 62 years old rates.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actual experience study for the period July 1, 2019 to June 30, 2020.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance, June 30, 2019	\$ 67,285,327	\$ -	\$ 67,285,327
Service cost	4,318,542	-	4,318,542
Interest	2,375,982	-	2,375,982
Difference between expected and actual experience	16,710,364	-	16,710,364
Changes of assumptions and other inputs	(21,927,299)	5,575,268	(27,502,567)
Benefit payments	(3,922,161)	(3,922,161)	-
Net change in total OPEB liability	(2,444,572)	1,653,107	(4,097,679)
Balance, June 30, 2020	\$ 64,840,755	\$ 1,653,107	\$ 63,187,648

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 zero percent to 6.50 percent and the valuation interest rate changed from 3.5 to 6.5 percent since the previous valuation.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Net OPEB Liability
1% decrease (5.5%)	\$ 69,290,661
Current discount rate (6.5%)	63,187,648
1% increase (7.5%)	57,806,914

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

Healthcare Cost Trend Rates	Net OPEB Liability
1% decrease (3%)	\$ 56,207,317
Current healthcare cost trend rate (4%)	63,187,648
1% increase (6%)	71,527,962

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$6,452,010 and reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,317,833	\$ -
Changes of assumptions	1,672,399	20,100,024
Total	\$ 16,990,232	\$ 20,100,024

The deferred outflows/(inflows) relating to differences between the expected and actual experience 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 and will be recognized as OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>
2021	\$ 1,584,761
2022	1,584,761
2023	1,584,761
2024	1,584,761
2025	1,584,761
Thereafter	<u>9,066,427</u>
Total	<u>\$ 16,990,232</u>
<u>Year Ended June 30,</u>	<u>Deferred Inflows of Resources</u>
2021	\$ (1,827,275)
2022	(1,827,275)
2023	(1,827,275)
2024	(1,827,275)
2025	(1,827,275)
Thereafter	<u>(10,963,649)</u>
Total	<u>\$ (20,100,024)</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, 2018, 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.j>

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, 2020, the District reported a liability of \$861,897 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. 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, 2019 and June 30, 2018, respectively, was 0.2314 percent and 0.2331 percent, resulting in a net decrease in the proportionate share of 0.0017 percent.

For the year ended June 30, 2020, the District recognized OPEB expense of \$(30,419).

Actuarial Methods and Assumptions

The June 30, 2019, total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total OPEB liability to June 30, 2019, using the assumptions listed in the following table:

Measurement Date	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2018	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.50%	3.87%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2018, 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-2016) 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 380 or an average of 0.23 percent of the potentially eligible population (165,422).

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, 2019, 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, 2019, is 3.50 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 3.50 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2019, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.37 percent from 3.87 percent as of June 30, 2018.

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 (2.50%)	\$ 940,527
Current discount rate (3.50%)	861,897
1% increase (4.50%)	789,601

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 Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 807,855
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	861,897
1% increase (4.7% Part A and 5.1% Part B)	969,844

Note 11 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	COP Debt Service Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 25,000	\$ -	\$ -	\$ 25,000
Stores inventories	84,597	-	361,266	445,863
Total nonspendable	109,597	-	361,266	470,863
Restricted				
Legally restricted programs	3,557,135	-	857,770	4,414,905
Pension trust funds	3,750,000	-	-	3,750,000
Food service	-	-	1,689,955	1,689,955
Capital projects	-	-	14,882,535	14,882,535
Debt services	-	14,840,850	5,329,056	20,169,906
Total restricted	7,307,135	14,840,850	22,759,316	44,907,301
Committed				
Adult education program	-	-	379,415	379,415
Deferred maintenance program	-	-	757,235	757,235
Total committed	-	-	1,136,650	1,136,650
Assigned				
Charter school facilities	-	-	2,082,150	2,082,150
Capital projects	-	-	5,539,969	5,539,969
Total assigned	-	-	7,622,119	7,622,119
Unassigned	43,148,706	-	-	43,148,706
Total	\$ 50,565,438	\$ 14,840,850	\$ 31,879,351	\$ 97,285,639

Note 12 - 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, the District contracted with Central Tulare County School Districts' Liability/Property Self-Insurance Authority 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 2020, the District participated in the Tulare County Schools Insurance Group (TCSIG), an insurance purchasing pool. The intent of TCSIG is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in TCSIG. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in TCSIG. Each participant pays its workers' compensation premium based on its individual rate. Participation in TCSIG is limited to districts that can meet TCSIG selection criteria.

Employee Medical Benefits

The District risk management activities are recorded in the Self-Insurance Fund. The purpose of the fund is to administer employee health insurance programs of the District on a cost-reimbursement basis. This fund accounts for the risk financing activities of the District, but does not constitute a transfer of risk from the District.

Significant losses are covered by commercial insurance. Settlement amounts have not exceeded insurance coverage for the current or the three prior years.

Claims Liabilities

The District records an estimated liability for medical claims liabilities. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

Unpaid Claims Liabilities

The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2018 to June 30, 2020 (in thousands):

	Health Care
Liability Balance, July 1, 2018	\$ 1,105
Claims and changes in estimates	21,159
Claims payments	(20,950)
Liability Balance, June 30, 2019	1,314
Claims and changes in estimates	21,470
Claims payments	(23,086)
Liability Balance, June 30, 2020	\$ (302)

Note 13 - 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, 2020, 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	\$ 118,163,396	\$ 33,397,062	\$ 9,077,642	\$ 15,866,424
CalPERS	54,603,486	12,647,838	911,030	9,832,926
Total	\$ 172,766,882	\$ 46,044,900	\$ 9,988,672	\$ 25,699,350

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, 2018, 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, 2020, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	17.10%	17.10%
Required state contribution rate	10.328%	10.328%

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, 2020, are presented above and the District's total contributions were \$12,412,211.

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

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share	
Proportionate share of net pension liability	\$ 118,163,396
State's proportionate share of the net pension liability	64,466,021
Total	\$ 182,629,417

The net pension liability was measured as of June 30, 2019. 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, 2019 and June 30, 2018, respectively was 0.1308 percent and 0.1299 percent, resulting in a net increase in the proportionate share of 0.0009 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$15,866,424. In addition, the District recognized pension expense and revenue of \$9,600,381 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 12,412,211	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	5,741,464	1,196,244
Differences between projected and actual earnings on pension plan investments	-	4,551,690
Differences between expected and actual experience in the measurement of the total pension liability	298,300	3,329,708
Changes of assumptions	14,945,087	-
Total	\$ 33,397,062	\$ 9,077,642

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

Year Ended June 30,	Deferred Inflows of Resources
2021	\$ (459,116)
2022	(3,613,506)
2023	(750,220)
2024	271,152
Total	\$ (4,551,690)

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
2021	\$ 4,597,670
2022	4,597,671
2023	3,497,594
2024	3,743,049
2025	216,271
Thereafter	(193,356)
Total	\$ 16,458,899

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, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 2010 through June 30, 2015
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-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the

board in February 2017 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, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.8%
Fixed income	12%	1.3%
Real estate	13%	3.6%
Private equity	13%	6.3%
Risk mitigating strategies	9%	1.8%
Inflation sensitive	4%	(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%)	\$ 175,955,077
Current discount rate (7.10%)	118,163,396
1% increase (8.10%)	70,243,086

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, 2018, 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, 2020, 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	19.721%	19.721%

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, 2020, are presented above and the total District contributions were \$5,562,213.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$54,603,486. The net pension liability was measured as of June 30, 2019. 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, 2019 and June 30, 2018, respectively was 0.1874 percent and 0.1844 percent and, resulting in a net increase in the proportionate share of 0.0030 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$9,832,926. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 5,562,213	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	519,924	404,572
Differences between projected and actual earnings on pension plan investments	-	506,458
Differences between expected and actual experience in the measurement of the total pension liability	3,966,405	-
Changes of assumptions	2,599,296	-
Total	\$ 12,647,838	\$ 911,030

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

Year Ended June 30,	Deferred Inflows of Resources
2021	\$ 499,929
2022	(998,594)
2023	(151,325)
2024	143,532
Total	\$ (506,458)

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,	Deferred Outflows/(Inflows) of Resources
2021	\$ 4,084,201
2022	1,709,242
2023	806,920
2024	80,690
Total	\$ 6,681,053

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, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
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	50.0%	6.0%
Fixed income	28.0%	2.6%
Inflation assets	0.0%	1.8%
Private equity	8.0%	7.2%
Real assets	13.0%	4.9%
Liquidity	1.0%	(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%)	\$ 78,707,335
Current discount rate (7.15%)	54,603,486
1% increase (8.15%)	34,607,679

Alternative Plan

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 the Self-Insured Schools of California (SISC) defined benefit plan as its alternative plan. For all employees who were members in the plan prior to January 1, 2014, the District is required to make contributions of 3.7 percent of the employees' salary. For all employees who entered the plan subsequent to January 1, 2014, the District is required to make contributions of 2.1 percent of the employees' salary and the employee is required to contribute 1.6 percent. There is no specified length of time an employee must work for the District in order to receive benefits. The benefits are 100 percent vested from the date of participation. The District made contributions of \$77,268 to this plan during the fiscal year ended June 30, 2020, of which \$26,642 was the employee portion. Copies of the SISC defined benefit plan annual financial report may be obtained from the SISC executive office.

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 \$6,733,695 (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.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated an additional 2019–2020 contribution on-behalf of school employers of \$1.1 billion for CalSTRS. A proportionate share of these contributions totaling \$2,258,708 have been recorded in these financial statements.

The total on behalf contributions have been included in the budgeted and actual amounts on the Budgetary Comparison Schedule – General Fund and have also been included in the calculation of the District's available reserves.

Note 14 - 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, 2020.

Litigation

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

Operating Lease Revenues

The District has entered into various operating leases with various lessees for district owned facilities with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessees, but it is unlikely that the District will cancel any of the agreements prior to the expiration date.

Construction Commitments

As of June 30, 2020, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
Granite Hills High School - CTE Law and Justice Center	\$ 1,200,000	December 2020
Alternative Education Complex - Relocation of Community Day School and additional classrooms for Butterfield Charter School	<u>1,300,000</u>	June 2021
Total	<u><u>\$ 2,500,000</u></u>	

Note 15 - Participation in Public Entity Risk Pools and Joint Powers Authorities

The District is a member of the Tulare County Schools Insurance Group (TCSIG) and the Central Tulare County School Districts’ Liability/Property Self-Insurance Authority (CTCSDLPSIA) public entity risk pools. The District pays an annual premium to each entity for its health, workers’ compensation, and property liability coverage. The relationships between the District and the pools 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 available from the respective entities.

The District has appointed one member to the governing board of TCSIG.

During the year ended June 30, 2020, the District made payment of \$4,896,255 to TCSIG for workers’ compensation insurance.

The District has appointed one member to the governing board of CTCSDLPSIA.

During the year ended June 30, 2020, the District made payment of \$234,565 to CTCSDLPSIA for property and liability insurance.

Note 16 - Subsequent Event

Capital Lease Purchase

On October 13, 2020, the District entered into a Master Equipment Lease-Purchase agreement for the acquisition of six electric-powered school buses, six fast chargers and related electrical infrastructure in the amount of \$1,089,000. The payment commences on April 13, 2021 with the final payment due October 13, 2027.

Note 17 - Risks and Uncertainties

World-Wide Coronavirus Pandemic

Subsequent to year-end, the District has been negatively impacted by the effects of the world-wide coronavirus pandemic. The District is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the District's financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.



Required Supplementary Information
June 30, 2020

Porterville Unified School District

Porterville Unified School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Local Control Funding Formula	\$ 146,835,460	\$ 152,258,268	\$ 153,362,149	\$ 1,103,881
Federal sources	17,411,016	17,876,595	11,832,940	(6,043,655)
Other State sources	13,309,363	13,692,191	16,460,216	2,768,025
Other local sources	3,850,397	4,131,494	7,025,454	2,893,960
Total revenues	<u>181,406,236</u>	<u>187,958,548</u>	<u>188,680,759</u>	<u>722,211</u>
Expenditures				
Current				
Certificated salaries	71,924,209	70,729,466	68,544,393	2,185,073
Classified salaries	23,199,860	23,155,668	22,347,163	808,505
Employee benefits	51,885,861	50,706,103	51,036,508	(330,405)
Books and supplies	13,931,067	10,656,179	6,947,233	3,708,946
Services and operating expenditures	15,982,829	17,500,581	13,451,401	4,049,180
Other outgo	1,608,373	1,547,933	2,282,520	(734,587)
Capital outlay	134,540	888,854	646,810	242,044
Debt service				
Debt service - interest	-	-	7,166	(7,166)
Total expenditures	<u>178,666,739</u>	<u>175,184,784</u>	<u>165,263,194</u>	<u>9,921,590</u>
Excess of Revenues Over Expenditures				
	<u>2,739,497</u>	<u>12,773,764</u>	<u>23,417,565</u>	<u>10,643,801</u>
Other Financing Sources (Uses)				
Transfers in	400,168	400,168	2,000,000	1,599,832
Transfers out	(4,275,270)	(13,134,856)	(12,775,270)	359,586
Net financing sources (uses)	<u>(3,875,102)</u>	<u>(12,734,688)</u>	<u>(10,775,270)</u>	<u>1,959,418</u>
Net Change in Fund Balances	(1,135,605)	39,076	12,642,295	12,603,219
Fund Balance - Beginning	<u>37,923,143</u>	<u>37,923,143</u>	<u>37,923,143</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 36,787,538</u>	<u>\$ 37,962,219</u>	<u>\$ 50,565,438</u>	<u>\$ 12,603,219</u>

Porterville Unified School District
Schedule of Changes in the District's Net OPEB Liability and Related Ratios
Year Ended June 30, 2020

	2020	2019	2018 as Restated
Total OPEB Liability			
Service cost	\$ 4,318,542	\$ 3,996,178	\$ 3,889,224
Interest	2,375,982	2,192,192	2,231,645
Difference between expected and actual experience	16,710,364	-	-
Changes of assumptions	(21,927,299)	2,056,859	-
Benefit payments	(3,922,161)	(3,191,737)	(1,450,790)
Net change in total OPEB liability	(2,444,572)	5,053,492	4,670,079
Total OPEB Liability - Beginning	67,285,327	62,231,835	57,561,756
Total OPEB Liability - Ending (a)	<u>\$ 64,840,755</u>	<u>\$ 67,285,327</u>	<u>\$ 62,231,835</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 5,575,268	\$ -	\$ -
Benefit payments	(3,922,161)	-	-
Net change in plan fiduciary net position	1,653,107	-	-
Plan Fiduciary Net Position - Beginning	-	-	-
Plan Fiduciary Net Position - Ending (b)	<u>\$ 1,653,107</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB Liability - Ending (a) - (b)	<u>\$ 63,187,648</u>	<u>\$ 67,285,327</u>	<u>\$ 62,231,835</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	2.55%	0.00%	0.00%
Covered Payroll	N/A ¹	N/A ¹	N/A ¹
Net/Total OPEB Liability as a Percentage of Covered Payroll	N/A ¹	N/A ¹	N/A ¹
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018

¹ The District's OPEB Plan is administered through a trust, however, 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.

Porterville Unified School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2020

Year ended June 30,	<u>2020</u>	<u>2019</u>	<u>2018</u>
Proportion of the net OPEB liability	0.2314%	0.2331%	0.2283%
Proportionate share of the net OPEB liability	\$ 861,897	\$ 892,316	\$ 960,430
Covered payroll	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
Plan fiduciary net position as a percentage of the total OPEB liability	(0.81%)	(0.40%)	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

Porterville Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
CalSTRS						
Proportion of the net pension liability	0.1308%	0.1299%	0.1261%	0.1287%	0.1289%	0.1159%
Proportionate share of the net pension liability	\$ 118,163,396	\$ 119,368,980	\$ 116,614,303	\$ 104,092,935	\$ 86,772,619	\$ 67,754,134
State's proportionate share of the net pension liability	64,466,021	68,344,324	68,988,036	59,258,251	45,893,150	40,912,871
Total	<u>\$ 182,629,417</u>	<u>\$ 187,713,304</u>	<u>\$ 185,602,339</u>	<u>\$ 163,351,186</u>	<u>\$ 132,665,769</u>	<u>\$ 108,667,005</u>
Covered payroll	<u>\$ 72,038,514</u>	<u>\$ 70,263,791</u>	<u>\$ 67,828,108</u>	<u>\$ 64,479,674</u>	<u>\$ 60,103,874</u>	<u>\$ 52,323,442</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	164.03%	169.89%	171.93%	161.44%	144.37%	129.49%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS						
Proportion of the net pension liability	0.1874%	0.1844%	0.1881%	0.1894%	0.1744%	0.1617%
Proportionate share of the net pension liability	\$ 54,603,486	\$ 49,162,073	\$ 44,903,915	\$ 37,400,884	\$ 25,705,328	\$ 18,352,298
Covered payroll	<u>\$ 26,129,952</u>	<u>\$ 24,500,567</u>	<u>\$ 24,058,986</u>	<u>\$ 22,643,108</u>	<u>\$ 19,278,761</u>	<u>\$ 17,008,119</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	208.97%	200.66%	186.64%	165.18%	133.33%	107.90%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

Porterville Unified School District
Schedule of the District Contributions
Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
CalSTRS						
Contractually required contribution	\$ 12,412,211	\$ 11,727,870	\$ 10,139,065	\$ 8,532,776	\$ 6,918,669	\$ 5,337,224
Less contributions in relation to the contractually required contribution	<u>12,412,211</u>	<u>11,727,870</u>	<u>10,139,065</u>	<u>8,532,776</u>	<u>6,918,669</u>	<u>5,337,224</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 72,586,029</u>	<u>\$ 72,038,514</u>	<u>\$ 70,263,791</u>	<u>\$ 67,828,108</u>	<u>\$ 64,479,674</u>	<u>\$ 60,103,874</u>
Contributions as a percentage of covered payroll	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS						
Contractually required contribution	\$ 5,562,213	\$ 4,719,592	\$ 3,805,183	\$ 3,341,312	\$ 2,682,529	\$ 2,269,303
Less contributions in relation to the contractually required contribution	<u>5,562,213</u>	<u>4,719,592</u>	<u>3,805,183</u>	<u>3,341,312</u>	<u>2,682,529</u>	<u>2,269,303</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 28,204,518</u>	<u>\$ 26,129,952</u>	<u>\$ 24,500,567</u>	<u>\$ 24,058,986</u>	<u>\$ 22,643,108</u>	<u>\$ 19,278,761</u>
Contributions as a percentage of covered payroll	<u>19.721%</u>	<u>18.0620%</u>	<u>15.5310%</u>	<u>13.8880%</u>	<u>11.8470%</u>	<u>11.7710%</u>

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedules

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.

These schedules present 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 of Assumptions* - The plan rate of investment return assumption was changed from zero percent to 6.50 percent and the valuation interest rate changed from 3.5 to 6.5 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 3.87 percent to 3.50 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, 2020

Porterville Unified School District

Porterville Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education Indian Education	84.060	10011	\$ 92,954
Passed Through California Department of Education (CDE)			
Title I - Part A, Basic	84.010	14329	6,460,786
ESSA School Improvement (CSI) Funding for LEAs	84.010	15438	217,837
Title I - Part C, Migrant Education - Regular	84.011	14326	473,738
Title I - Part C, Migrant Education - Summer	84.011	10005	289,699
Title II - Part A, Supporting Effective Instruction	84.367	14341	892,423
Title III - English Language Acquisition - Limited English Proficient	84.365	14346	270,075
Title IV - Part A, Student Support and Academic Enrichment Program	84.424	15396	274,924
Career and Technical Education - Secondary, Section 131	84.048	14894	300,632
Career and Technical Education - Adult, Section 132	84.048	14893	18,234
Adult Basic Education and ESL	84.002	14508	64,855
Adult Secondary Education	84.002	13978	207,350
Special Education Cluster			
Special Education Grants to States - Basic Local Assistance	84.027	13379	2,487,259
Special Education Preschool Grants	84.173	13430	161,830
Subtotal Special Education Cluster			<u>2,649,089</u>
Total U.S. Department of Education			<u>12,212,596</u>
Corporation for National and Community Service Passed Through California Department of Education AmeriCorps	94.006	10043	<u>49,389</u>

Porterville Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	4,695,488
Basic Breakfast	10.553	13525	17,310
Especially Needy Breakfast	10.553	13526	2,749,619
Summer Food Program	10.559	13004	2,159,157
Food Distribution - Commodities	10.555	13391	<u>373,961</u>
Total Child Nutrition Cluster			<u>9,995,535</u>
Child and Adult Care Food Program	10.558	13393	1,315,011
Forest Service Schools and Roads Cluster			
Forest Reserve	10.665	10044	<u>7,914</u>
Total U.S. Department of Agriculture			<u>11,318,460</u>
Total Expenditures of Federal Awards			<u><u>\$ 23,580,445</u></u>

Organization

The Porterville Unified School District was unified on July 1, 1998, and consists of an area comprising approximately 3,000 square miles. The District operates ten elementary schools, three intermediate schools, four high schools, three charter schools, one continuation school, two alternative education schools and an adult school. There were no boundary changes during the year.

Governing Board

Member	Office	Term Expires
Lillian Durbin	President	2022
Felipe Martinez	Vice President	2022
Juan Figueroa, Jr.	Clerk	2020
Donna Berry	Member	2022
James Carson	Member	2022
Pete Lara, Jr.	Member	2022
Tom Velasquez	Member	2020

Administration

Nate Nelson, Ed.D.	Superintendent
Brad Rohrbach, Ed.D.	Assistant Superintendent, Business Services
Martha Stuemky, Ed.D.	Assistant Superintendent, Instructional Services
Andrew Bukosky, Ed.D.	Assistant Superintendent, Human Services

Porterville Unified School District
Schedule of Average Daily Attendance
Year Ended June 30, 2020

	<u>Second Period Report</u>	<u>Annual Report</u>
Porterville Unified School District		
Regular ADA		
Transitional kindergarten through third	3,096.37	3,096.37
Fourth through sixth	2,296.81	2,296.81
Seventh and eighth	1,681.34	1,681.34
Ninth through twelfth	<u>5,667.06</u>	<u>5,667.06</u>
Total regular ADA	<u>12,741.58</u>	<u>12,741.58</u>
Community Day School		
Seventh and eighth	1.49	1.52
Ninth through twelfth	<u>16.17</u>	<u>16.44</u>
Total community day school	<u>17.66</u>	<u>17.96</u>
Total ADA	<u><u>12,759.24</u></u>	<u><u>12,759.54</u></u>
Butterfield Charter High School		
Regular ADA - All non-classroom based		
Transitional kindergarten through third	0.60	0.60
Fourth through sixth	0.46	0.46
Seventh and eighth	7.43	7.43
Ninth through twelfth	<u>242.95</u>	<u>242.95</u>
Total non-classroom based ADA	<u>251.44</u>	<u>251.44</u>
Harmony Magnet Academy		
Regular ADA - All classroom based		
Ninth through twelfth	<u>497.92</u>	<u>497.92</u>
Porterville Military Academy		
Regular ADA - All non-classroom based		
Seventh and eighth	104.09	104.09
Ninth through twelfth	<u>65.62</u>	<u>65.62</u>
Total classroom based ADA	<u>169.71</u>	<u>169.71</u>

Porterville Unified School District

Schedule of Instructional Time

Year Ended June 30, 2020

Porterville Unified School District

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	54,855	181	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		54,210	181	N/A	Complied
Grade 2		54,210	181	N/A	Complied
Grade 3		54,210	181	N/A	Complied
Grades 4 - 8	54,000				
Grade 4		60,420	181	N/A	Complied
Grade 5		60,420	181	N/A	Complied
Grade 6		60,420	181	N/A	Complied
Grade 7		63,995	181	N/A	Complied
Grade 8		63,995	181	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		66,191	181	N/A	Complied
Grade 10		66,191	181	N/A	Complied
Grade 11		66,191	181	N/A	Complied
Grade 12		66,191	181	N/A	Complied

Harmony Magnet Academy

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Grades 9 - 12	64,800				
Grade 9		66,927	181	N/A	Complied
Grade 10		66,927	181	N/A	Complied
Grade 11		66,927	181	N/A	Complied
Grade 12		66,927	181	N/A	Complied

Porterville Military Academy

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Grades 7 - 8	54,000				
Grade 7		66,910	181	N/A	Complied
Grade 8		66,910	181	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		66,910	181	N/A	Complied
Grade 10		66,910	181	N/A	Complied

Porterville Unified School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2020

The following adjustment was made to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2020.

	<u>General Fund</u>
Fund Balance	
Balance, June 30, 2020, Unaudited Actuals	\$ 46,815,438
Increase in cash awaiting deposit	<u>3,750,000</u>
Balance, June 30, 2020, Audited Financial Statements	<u><u>\$ 50,565,438</u></u>

Porterville Unified School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2020

	(Budget) 2021 ¹	2020	2019	2018
General Fund				
Revenues	\$ 186,404,366	\$ 188,680,759	\$ 186,482,930	\$ 171,035,027
Other sources and transfers in	400,168	2,000,000	400,168	-
Total Revenues and Other Sources	<u>186,804,534</u>	<u>190,680,759</u>	<u>186,883,098</u>	<u>171,035,027</u>
Expenditures	181,275,722	165,263,194	169,602,387	160,099,556
Other uses and transfers out	5,300,772	12,775,270	11,077,334	7,820,244
Total Expenditures and Other Uses	<u>186,576,494</u>	<u>178,038,464</u>	<u>180,679,721</u>	<u>167,919,800</u>
Increase in Fund Balance	<u>228,040</u>	<u>12,642,295</u>	<u>6,203,377</u>	<u>3,115,227</u>
Ending Fund Balance	<u>\$ 50,793,478</u>	<u>\$ 50,565,438</u>	<u>\$ 37,923,143</u>	<u>\$ 31,719,766</u>
Available Reserves ²	<u>\$ 43,381,554</u>	<u>\$ 43,148,706</u>	<u>\$ 34,728,053</u>	<u>\$ 29,132,572</u>
Available Reserves as a Percentage of Total Outgo	<u>23.25%</u>	<u>24.24%</u>	<u>19.22%</u>	<u>17.35%</u>
Long-Term Liabilities ⁴	<u>Not Available</u>	<u>\$ 295,937,278</u>	<u>\$ 297,356,131</u>	<u>\$ 275,402,275</u>
Average Daily Attendance at P-2 ³	<u>12,759</u>	<u>12,759</u>	<u>12,639</u>	<u>12,891</u>

The General Fund balance has increased by \$18,845,672 over the past two years. In addition, the fiscal year 2020-2021 budget projects an increase of \$228,040 (0.5 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years, and anticipates incurring an operating surplus during the 2020-2021 fiscal year. Total long-term liabilities have increased by \$20,535,003 over the past two years primarily due to the implementation of GASB Statement No. 75 and increases in the total OPEB liability.

Average daily attendance has decreased by 132 over the past two years. No change in ADA is anticipated during fiscal year 2020-2021.

¹ Budget 2021 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances contained within the General Fund.

³ Excludes Charter Schools ADA. See the Schedule of Average Daily Attendance for the ADA reported for the charter schools.

⁴ The balance of long-term liabilities was adjusted for the fiscal year ended June 30, 2018 for an adjustment to the total OPEB liability.

Porterville Unified School District
Schedule of Charter Schools
Year Ended June 30, 2020

<u>Name of Charter School and Charter Number</u>	<u>Included in Audit Report</u>
Butterfield Charter High School (Charter Number 0867)	Yes
Harmony Magnet Academy (Charter Number 0970)	Yes
Porterville Military Academy (Charter Number 1956)	Yes

Porterville Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2020

	Charter Schools Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	State School Building Lease Purchase Fund
Assets								
Deposits and investments	\$ 244,662	\$ 574,830	\$ 382,831	\$ 741,268	\$ 776,741	\$ 8,225,599	\$ 1,936,047	\$ 37
Receivables	1,863,694	249,589	648,823	2,354,642	-	642,311	23,277	-
Due from other funds	1,094,739	-	-	-	-	-	-	-
Stores inventories	-	-	-	361,266	-	-	-	-
Total assets	\$ 3,203,095	\$ 824,419	\$ 1,031,654	\$ 3,457,176	\$ 776,741	\$ 8,867,910	\$ 1,959,324	\$ 37
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ 579,164	\$ 8,817	\$ 40,262	\$ 17,265	\$ 19,506	\$ 86,213	\$ 59,943	\$ -
Due to other funds	90,200	12,910	174,718	1,388,690	-	-	-	-
Unearned revenue	114,783	308	718,671	-	-	-	-	-
Total liabilities	784,147	22,035	933,651	1,405,955	19,506	86,213	59,943	-
Fund Balances								
Nonspendable	-	-	-	361,266	-	-	-	-
Restricted	336,798	422,969	98,003	1,689,955	-	8,781,697	1,899,381	37
Committed	-	379,415	-	-	757,235	-	-	-
Assigned	2,082,150	-	-	-	-	-	-	-
Total fund balances	2,418,948	802,384	98,003	2,051,221	757,235	8,781,697	1,899,381	37
Total liabilities and fund balances	\$ 3,203,095	\$ 824,419	\$ 1,031,654	\$ 3,457,176	\$ 776,741	\$ 8,867,910	\$ 1,959,324	\$ 37

Porterville Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2020

	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Financing District- Building Fund	Bond Interest and Redemption Fund	Financing District- Debt Service Fund	Total Non-Major Governmental Funds
Assets						
Deposits and investments	\$ 1,214,482	\$ 5,549,867	\$ 2,354	\$ 536,122	\$ 4,792,934	\$ 24,977,774
Receivables	2,998,035	-	-	-	-	8,780,371
Due from other funds	-	53,559	-	-	-	1,148,298
Stores inventories	-	-	-	-	-	361,266
Total assets	\$ 4,212,517	\$ 5,603,426	\$ 2,354	\$ 536,122	\$ 4,792,934	\$ 35,267,709
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 13,451	\$ 63,457	\$ -	\$ -	\$ -	\$ 888,078
Due to other funds	-	-	-	-	-	1,666,518
Unearned revenue	-	-	-	-	-	833,762
Total liabilities	13,451	63,457	-	-	-	3,388,358
Fund Balances						
Nonspendable	-	-	-	-	-	361,266
Restricted	4,199,066	-	2,354	536,122	4,792,934	22,759,316
Committed	-	-	-	-	-	1,136,650
Assigned	-	5,539,969	-	-	-	7,622,119
Total fund balances	4,199,066	5,539,969	2,354	536,122	4,792,934	31,879,351
Total liabilities and fund balances	\$ 4,212,517	\$ 5,603,426	\$ 2,354	\$ 536,122	\$ 4,792,934	\$ 35,267,709

Porterville Unified School District

Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental Funds
Year Ended June 30, 2020

	Charter Schools Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund
Revenues							
Local Control Funding Formula	\$ 10,834,962	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	146,520	290,439	-	11,310,546	-	1,282,191	-
Other State sources	944,856	1,654,917	2,674,017	844,594	-	-	-
Other local sources	320,989	243,334	46,665	691,314	37,009	795,036	967,363
Total revenues	12,247,327	2,188,690	2,720,682	12,846,454	37,009	2,077,227	967,363
Expenditures							
Current							
Instruction	8,370,963	1,539,581	1,871,032	-	-	-	-
Supervision of instruction	132,667	-	459,873	-	-	-	-
Instructional library, media, and technology	56,686	-	-	-	-	-	-
School site administration	1,267,324	648,605	2,534	-	-	-	-
Pupil services	-	-	-	11,984,661	-	-	-
Food services	-	-	-	-	-	-	-
All other pupil services	1,159,734	-	-	-	-	-	-
Administration	-	-	-	-	-	-	-
All other administration	5,023	50,870	82,095	405,300	-	-	237,226
Plant services	435,663	140,421	110,616	-	300	-	-
Ancillary services	18,722	-	-	-	-	-	-
Facility acquisition and construction	458,702	-	153,911	-	308,671	924,765	1,930
Debt service	-	-	-	-	-	-	-
Principal	-	165,000	-	-	-	962,698	-
Interest and other	-	10,043	-	-	-	2,099,658	-
Total expenditures	11,905,484	2,554,520	2,680,061	12,389,961	308,971	3,987,121	239,156
Excess (Deficiency) of Revenues Over Expenditures	341,843	(365,830)	40,621	456,493	(271,962)	(1,909,894)	728,207
Other Financing Sources (Uses)							
Transfers in	-	175,270	-	-	900,000	7,400,000	-
Transfers out	-	-	-	-	-	(1,380,397)	-
Net Financing Sources (Uses)	-	175,270	-	-	900,000	6,019,603	-
Net Change in Fund Balances	341,843	(190,560)	40,621	456,493	628,038	4,109,709	728,207
Fund Balance - Beginning	2,077,105	992,944	57,382	1,594,728	129,197	4,671,988	1,171,174
Fund Balance - Ending	\$ 2,418,948	\$ 802,384	\$ 98,003	\$ 2,051,221	\$ 757,235	\$ 8,781,697	\$ 1,899,381

See Note to Supplementary Information

Porterville Unified School District

Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental Funds
Year Ended June 30, 2020

	State School Building Lease Purchase Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Financing District- Building Fund	Bond Interest and Redemption Fund	Financing District- Debt Service Fund	Total Non-Major Governmental Funds
Revenues							
Local Control Funding Formula	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,834,962
Federal sources	-	-	-	-	-	-	13,029,696
Other State sources	-	2,998,035	-	-	1,744	18,297	9,136,460
Other local sources	1	96,868	285,179	105	247,539	2,079,494	5,810,896
Total revenues	1	3,094,903	285,179	105	249,283	2,097,791	38,812,014
Expenditures							
Current							
Instruction	-	-	-	-	-	-	11,781,576
Supervision of instruction	-	-	-	-	-	-	592,540
Instructional library, media, and technology	-	-	-	-	-	-	56,686
School site administration	-	-	-	-	-	-	1,918,463
Pupil services							
Food services	-	-	-	-	-	-	11,984,661
All other pupil services	-	-	-	-	-	-	1,159,734
Administration							
All other administration	-	-	-	-	-	-	780,514
Plant services	-	1,000	22,206	-	-	-	710,206
Ancillary services	-	-	-	-	-	-	18,722
Facility acquisition and construction	-	4,641,796	1,047,330	-	-	-	7,537,105
Debt service							
Principal	-	-	-	-	175,000	1,230,000	2,532,698
Interest and other	-	-	-	-	73,975	347,413	2,531,089
Total expenditures	-	4,642,796	1,069,536	-	248,975	1,577,413	41,603,994
Excess (Deficiency) of Revenues Over Expenditures	1	(1,547,893)	(784,357)	105	308	520,378	(2,791,980)
Other Financing Sources (Uses)							
Transfers in	-	-	4,300,000	-	-	-	12,775,270
Transfers out	-	-	-	-	-	-	(1,380,397)
Net Financing Sources (Uses)	-	-	4,300,000	-	-	-	11,394,873
Net Change in Fund Balances	1	(1,547,893)	3,515,643	105	308	520,378	8,602,893
Fund Balance - Beginning	36	5,746,959	2,024,326	2,249	535,814	4,272,556	23,276,458
Fund Balance - Ending	\$ 37	\$ 4,199,066	\$ 5,539,969	\$ 2,354	\$ 536,122	\$ 4,792,934	\$ 31,879,351

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 Porterville Unified School District (the District) under programs of the federal government for the year ended June 30, 2020. 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, 2020, the District had food commodities totaling \$373,961 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 consists of Federal subsidy interest payments received by the District for its Qualified School Construction Bonds.

	CFDA Number	Amount
Total Federal Revenues reported on the financial statements		\$ 24,862,636
Qualified School Construction Bond Federal Subsidy	Not Applicable	(1,282,191)
Total Schedule of Expenditures of Federal Awards		\$ 23,580,445

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

Districts must maintain their instructional minutes at the 1986-1987 requirements as required by *Education Code* Section 46201.

Due to school closures caused by COVID-19, the District filed the COVID-19 School Closure Certification certifying that schools were closed for 47 days due to the pandemic. As a result, the District received credit for these 47 days in meeting the annual instructional days requirement. In addition, planned minutes covered by the COVID-19 School Certification were included in the Actual Minutes column but were not actually offered due to the COVID-19 school closure.

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, 2020

Porterville 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
Porterville Unified School District
Porterville, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Porterville Unified School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Porterville Unified School District’s basic financial statements and have issued our report thereon dated March 25, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, professional style.

Fresno, California
March 25, 2021



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
Porterville Unified School District
Porterville, California

Report on Compliance for Each Major Federal Program

We have audited Porterville 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 Porterville Unified School District's major federal programs for the year ended June 30, 2020. Porterville 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 Porterville 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 Porterville 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 Porterville Unified School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Porterville 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, 2020.

Report on Internal Control over Compliance

Management of Porterville 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 Porterville 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 Porterville 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.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, professional style.

Fresno, California
March 25, 2021



Independent Auditor's Report on State Compliance

To the Governing Board
Porterville Unified School District
Porterville, California

Report on State Compliance

We have audited Porterville Unified School District's (the District) compliance with the types of compliance requirements described in the *2019-2020 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, 2020.

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 *2019-2020 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	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see below)
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No (see below)
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No (see below)
Middle or Early College High Schools	No (see below)
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No (see below)
Comprehensive School Safety Plan	Yes
District of Choice	No (see below)
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No (see below)
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No (see below)
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study for Charter Schools	Yes
Determination of Funding for Nonclassroom-Based Instruction	Yes
Annual Instruction Minutes Classroom-Based	Yes
Charter School Facility Grant Program	No (see below)

We did not perform procedures for Independent Study because the independent study ADA was under the level that requires testing.

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

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

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

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

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

The District does not offer a Before School Education and Safety Program; therefore, we did not perform procedures related to the Before School Education and Safety Program.

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

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

Basis for Qualified Opinion on Comprehensive School Safety Plans

As described in the accompanying *Schedule of State Compliance Findings and Questioned Costs* as item 2020-001, Porterville Unified School District did not comply with requirements regarding Comprehensive School Safety Plans. Compliance with such requirements is necessary, in our opinion, for Porterville Unified School District to comply with the requirements referred to above.

Qualified Opinion on Comprehensive School Safety Plans

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Porterville Unified School District complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2020.

Porterville Unified School District's response to the noncompliance finding identified in our audit is described in the accompanying *Schedule of State Compliance Findings and Questioned Costs*. Porterville Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Unmodified Opinion on Each of the Other Programs

In our opinion, Porterville Unified School District complied with the laws and regulations of the state programs referred to above for the year ended June 30, 2020, except as described in the accompanying *Schedule of State Compliance Findings and Questioned Costs*.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Fresno, California
March 25, 2021

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
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:	No

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
Title I Programs	84.010
Child and Adult Care Food Program	10.558
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

STATE COMPLIANCE

Type of auditor's report issued on compliance for programs:	Unmodified
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Unmodified for all programs except for the following program which was qualified:

Name of Program
Comprehensive School Safety Plans

None reported.

None reported.

The following finding represents an instance of noncompliance relating to State program laws and regulations. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
40000	State Compliance

2020-001 40000

Comprehensive School Safety Plan

Criteria

According to the 2019-20 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting, prescribed in the *California Code of Regulations* and published by the Education Audit Appeals Panel, each school in the LEA must have a comprehensive school safety plan that is approved by the LEA and has been reviewed and updated by March 1. [*Education Code* Section 32282].

Condition

During our audit of the District's School Comprehensive School Safety Plans, we found that Bartlett Middle School has a comprehensive school safety plan for 2019-2020. However, the District did not review or update the plan prior to March 1.

Effect

There is no questioned cost associated with this finding.

Cause

It appears that the District did not meet the March 1 deadline for reviewing and updating the School Safety Plan.

Repeat Finding (Yes or No)

No

Recommendation

The District needs to comply with the state requirements for reviewing and updating the comprehensive school safety plan prior to March 1.

Corrective Action Plan

The District will ensure each school site submits an updated Comprehensive School Safety Plan and will be reviewed and approved by the LEA by March 1st per Education Code 32282.

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

2019-001 40000

Porterville 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 Education 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 classified as free or reduced on the CalPADS report with either no current application available for review or the application stated the student was denied for the free/reduced classification.

This is the first year this finding was noted and is not a repeat from a prior year nor was it related to a finding in the previous audit year.

Effect

Seventy-two pupils were initially selected as a sample between Porterville Unified School District and Harmony Magnet Academy Charter School. During our audit, we determined that seven were missing an application on file and five were denied based on income information provided. At this point, the District decided to review applicable information in order to determine how many students were misclassified.

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

Porterville Unified School District (excluding County programs)	
Certified total enrollment	40,784
Certified total unduplicated pupil count	34,062
Total enrollment adjustment	(1)
Unduplicated pupil count adjustment based on eligibility for FRPM	507
Adjusted total enrollment	40,783
Adjusted total unduplicated pupil count	34,569
Harmony Magnet Academy Charter School (excluding County programs)	
Certified total enrollment	1,596
Certified total unduplicated pupil count	1,006
Total enrollment adjustment	-
Unduplicated pupil count adjustment based on eligibility for FRPM	(15)
Adjusted total enrollment	1,596
Adjusted total unduplicated pupil count	991

Cause

During the annual updating process of student records, applications were not being collected for all students.

Repeat Finding (Yes or No)

No

Questioned Cost

The above mention net effect has a questioned cost of \$946,892 for Porterville Unified School District and \$(29,748) for Harmony Magnet Academy Charter School. The estimated questioned cost was calculated using the California Department of Education provided "Audit Finding Calculator for Fiscal year 2016-2017 and Each Year Thereafter."

Recommendation

At the beginning of the school year, the District should determine all students' status by reviewing the other income verification form/application or the direct certification list from the County Office of Education.

Current Status

Implemented.

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APPENDIX C

GENERAL INFORMATION CITY OF PORTERVILLE AND TULARE COUNTY

The following information in this section of the Official Statement concerning the City of Porterville and surrounding areas is included only for the purpose of supplying general information regarding the community. The taxing power of the City of Porterville, Tulare County, the State of California, and any political subdivision thereof is not pledged to the payment of the Bonds. The Bonds are not a debt of the City of Porterville, Tulare County, the State of California, or any of its political subdivisions, and neither the City, the County, the State nor any of its political subdivisions is liable therefor.

The economic and demographic data contained in this Appendix are the latest available, but are generally as of dates and for periods before the economic impact of the COVID-19 pandemic and the measures instituted to slow it. Accordingly, they are not necessarily indicative of the current financial condition or future economic prospects of the District, the County or the region.

General

The City. The City of Porterville (the “**City**”) is located in the County of Tulare (the “**County**”), along the foothills of the Sierras. Situated on the eastern edge of the San Joaquin Valley at the very center of California, the City is located midway between San Francisco and Los Angeles and an hour from Tulare and Bakersfield.

Population

The following sets forth the County and City population estimates as of January 1 for the years 2016 through 2020.

COUNTY OF TULARE Estimated Population

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Dinuba	24,660	24,883	25,229	25,689	25,994
Exeter	10,836	10,880	10,967	11,009	11,030
Farmersville	11,145	11,247	11,360	11,396	11,399
Lindsay	12,758	12,796	12,873	13,153	13,154
Porterville	58,720	58,680	59,475	59,490	59,655
Tulare	62,856	63,868	65,032	66,457	67,834
Visalia	132,397	133,872	135,892	137,696	138,649
Woodlake	7,595	7,603	7,620	7,691	7,773
Balance of County	144,577	144,906	144,467	144,007	144,489
Incorporated	320,967	323,829	328,448	332,581	335,488
County Total	465,544	468,735	472,915	476,588	479,977

Source: State of California Department of Finance, Demographic Research Unit.

Employment and Industry

The District is included in the Visalia-Porterville Metropolitan Statistical Area (“MSA”). The unemployment rate in the County was 11.3% in January 2021, down from a revised 11.5% in December 2020, and above the year-ago estimate of 11.2%. This compares with an unadjusted unemployment rate of 9.2% for California and 6.8% for the nation during the same period.

The table below provides information about employment by industry type for the MSA for calendar years 2016 through 2020

**VISALIA-PORTERVILLE MSA
(County of Tulare)
Annual Average Civilian Labor Force,
Employment and Unemployment
(March 2020 Benchmark)**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Civilian Labor Force ⁽¹⁾	203,400	204,800	204,600	204,000	199,200
Employment	180,700	183,500	184,900	184,400	172,900
Unemployment	22,700	21,400	19,600	19,600	26,300
Unemployment Rate	11.2%	10.4%	9.6%	9.6%	13.2%
<u>Wage and Salary Employment:</u> ⁽²⁾					
Agriculture	38,800	38,700	38,800	37,600	35,100
Mining, Logging and Construction	5,300	5,700	6,100	6,400	6,500
Manufacturing	12,800	12,800	13,000	12,900	12,600
Wholesale Trade	4,100	4,200	4,300	4,400	4,300
Retail Trade	16,200	16,200	16,300	16,200	15,500
Trans., Warehousing and Utilities	6,900	7,300	7,400	7,200	7,200
Information	700	700	700	700	600
Financial Activities	4,100	4,100	4,100	4,000	3,800
Professional and Business Services	11,100	12,000	11,000	11,400	10,900
Educational and Health Services	14,400	15,500	16,100	17,100	17,400
Leisure and Hospitality	11,500	11,500	11,800	12,100	10,600
Other Services	3,500	3,500	3,500	3,500	3,100
Federal Government	1,000	1,000	1,100	1,100	1,000
State Government	1,800	1,800	1,700	1,700	1,600
Local Government	28,500	29,000	29,500	30,000	29,000
Total, All Industries ⁽³⁾	160,600	163,900	165,100	166,100	159,000

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Major Employers

The table below lists the major employers in the County as of March 2021, listed alphabetically.

COUNTY OF TULARE
Major Employers
(Listed Alphabetically)
March 2021

Employer Name	Location	Industry
Eagle Mountain Casino	Porterville	Casinos
Family Tree Farms	Reedley	Farms
Haagen-Dazs Shop	Tulare	Ice Cream Parlors
KINGS Canyon National Park	Kings Cyn Nat Pk	Government Offices-Us
Land O'Lakes Indl Cheese	Tulare	Cheese Processors (mfrs)
Latino Farm Labor Svc	Visalia	Contractors
Monrovia Nursery Co	Woodlake	Nurseries-Plants Trees & Etc-Wholesale
Porterville Developmental Ctr	Porterville	Hospitals
Prima Wawona	Cutler	Fruits & Vegetables-Growers & Shippers
Saputo Cheese USA Inc	Tulare	Cheese Processors (mfrs)
Sierra View Medical Ctr	Porterville	Hospitals
Solid Waste Collection	Tulare	Public Works Department
Sun Pacific	Exeter	Fruits & Vegetables-Growers & Shippers
Tulare City	Tulare	Government Offices-City/Village & Twp
Tulare County Child Care Prgm	Visalia	Child Care Service
Tulare County Lake Patrol	Visalia	Government Offices-County
Tulare County Parks & Rec Dept	Visalia	Parks
Tulare County Resource Mgmt	Visalia	Government Offices-County
Tulare County Sheriff	Visalia	Government Offices-County
Tulare Joint Union High School	Tulare	School Districts
Tulare Local Healthcare Dist	Tulare	Health Care Management
US Cotton Classing Office	Visalia	Government Offices-Us
Valley Labor Svc	Dinuba	Labor Contractors
Visalia Public Works Admin	Visalia	Government Offices-City/Village & Twp
Walmart Distribution Ctr	Porterville	Distribution Centers (whls)

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2021 1st Edition.

Median Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total effective buying income for the City of Porterville, County of Tulare, the State and the United States for the period 2017 through 2021.

CITY OF PORTERVILLE, COUNTY OF TULARE, STATE OF CALIFORNIA AND UNITED STATES Effective Buying Income As of January 1, 2017 through 2021

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2017	City of Porterville	\$807,365	\$38,564
	County of Tulare	7,199,514	40,423
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	City of Porterville	\$811,711	\$37,480
	County of Tulare	7,393,927	41,277
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	City of Porterville	\$842,378	\$40,561
	County of Tulare	7,753,456	43,691
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	City of Porterville	\$901,312	\$40,960
	County of Tulare	8,272,743	45,271
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303
2021	City of Porterville	\$880,462	\$40,219
	County of Tulare	8,477,603	45,662
	California	1,290,894,604	67,956
	United States	9,809,944,764	56,790

Source: The Neilson Company (US), Inc for years 2017 and 2018; Claritas, LLC for 2019 through 2021.

Construction Activity

Provided below are the building permits and valuations for the City and the County for calendar years 2015 through 2019.

CITY OF PORTERVILLE Total Building Permit Valuations Calendar Years 2015 through 2019 (valuations in thousands)

	2015	2016	2017	2018	2019
<u>Permit Valuation</u>					
New Single-family	\$12,768.0	\$9,260.0	\$9,545.0	\$17,396.9	\$25,586.3
New Multi-family	0.0	0.0	750.0	2,081.9	12,375.8
Res. Alterations/Additions	<u>1,161.4</u>	<u>2,535.6</u>	<u>2,070.4</u>	<u>1,578.1</u>	<u>1,547.2</u>
Total Residential	13,929.4	11,795.6	12,365.4	21,056.9	39,509.3
New Commercial	706.5	4,566.0	6,205.1	7,149.0	198.0
New Industrial	0.0	0.0	290.0	0.0	0.0
New Other	2,137.2	4,443.9	978.7	3,653.6	7,160.4
Com. Alterations/Additions	<u>8,990.2</u>	<u>3,019.4</u>	<u>15,342.1</u>	<u>16,930.0</u>	<u>9,551.1</u>
Total Nonresidential	11,833.9	12,029.3	22,815.9	27,732.6	16,909.5
<u>New Dwelling Units</u>					
Single Family	57	43	38	72	117
Multiple Family	<u>0</u>	<u>0</u>	<u>8</u>	<u>13</u>	<u>52</u>
TOTAL	57	43	46	85	169

Source: Construction Industry Research Board, Building Permit Summary.

COUNTY OF TULARE Total Building Permit Valuations Calendar Years 2015 through 2019 (valuations in thousands)

	2015	2016	2017	2018	2019
<u>Permit Valuation</u>					
New Single-family	\$242,048.5	\$435,293.6	\$246,860.6	\$253,174.2	\$334,633.5
New Multi-family	14,041.5	13,595.9	30,428.8	36,987.8	54,029.7
Res. Alterations/Additions	<u>14,690.6</u>	<u>19,569.3</u>	<u>14,274.9</u>	<u>27,136.5</u>	<u>20,579.9</u>
Total Residential	270,780.6	468,458.8	291,564.3	317,298.5	409,243.1
New Commercial	30,008.4	137,763.5	50,633.2	64,998.8	111,930.3
New Industrial	892.0	9,571.2	4,528.3	5,639.5	7,119.9
New Other	71,771.9	125,445.8	43,334.0	57,187.4	45,954.0
Com. Alterations/Additions	<u>46,290.8</u>	<u>31,746.2</u>	<u>59,058.3</u>	<u>61,637.4</u>	<u>41,474.6</u>
Total Nonresidential	148,963.1	304,526.7	157,553.8	189,463.1	206,478.8
<u>New Dwelling Units</u>					
Single Family	1,129	1,159	1,136	1,173	1,612
Multiple Family	<u>132</u>	<u>156</u>	<u>220</u>	<u>347</u>	<u>427</u>
TOTAL	1,261	1,315	1,356	1,520	2,039

Source: Construction Industry Research Board, Building Permit Summary.

Commercial Activity

A summary of historic taxable sales within the County during the past five years in which data is available is shown in the following table.

Total taxable sales during the first three quarters of calendar year 2020 in the City were reported to be \$718,839,140, a 2.01% decrease over the total taxable sales of \$733,611,274 reported during the first three quarters of calendar year 2019.

CITY OF PORTERVILLE
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2015 ⁽¹⁾	807	\$467,139	1,093	\$528,439
2016	786	483,102	1,085	544,290
2017	776	501,918	1,078	563,595
2018	769	512,588	1,087	573,102
2019	790	516,055	1,140	575,953

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: State Department of Tax and Fee Administration.

Total taxable sales during the first three quarters of 2020 in the County were reported to be \$11,156,155,521, a 6.34% increase over the total taxable sales of \$10,491,260,886 reported during the first three quarters of 2019.

TULARE COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2015 ⁽¹⁾	3,071	\$3,998,589	9,284	\$6,275,434
2016	6,124	4,377,472	9,232	6,688,260
2017	6,005	4,810,563	9,081	7,105,732
2018	5,828	5,069,186	9,151	7,744,728
2019	5,985	5,322,674	9,524	7,935,857

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: State Department of Tax and Fee Administration.

Transportation

Situated on Highway 99, the County offers excellent transportation access routes throughout California and the Western United States. There are 200 major carriers within 45 minutes of the City of Visalia who provide interstate trucking services. Many communities in the County offer airports for corporate service. Air service is available approximately 45 minutes north at Tulare Yosemite International Airport. San Francisco International Airport is about 3-1/2 hours driving time away.

State Routes 65 and 190 run through the City, providing vehicular access to many cities throughout the State. Porterville Transit provides the public with access to cities within and surrounding the City; and the Tulare County Area Transit offers transit services between the City and smaller communities throughout the County.

Union-Southern Pacific, Burlington Northern-Santa Fe Railroads are the San Joaquin Valley Rail companies serve Tulare County with extensive spur track, piggyback service, reciprocal switching, and refrigerated shipping.

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APPENDIX D
PROPOSED FORMS OF OPINIONS OF BOND COUNSEL
LEGAL OPINION RELATING TO SERIES A BONDS

May 4, 2021

Board of Trustees
Porterville Unified School District
600 West Grand Avenue
Porterville, CA 93257

OPINION: \$1,270,000 Porterville Unified School District (County of Tulare, California)
2021 General Obligation Refunding Bonds, Series A (Strathmore Union
High School District)

Members of the Board of Trustees:

We have acted as bond counsel to the Porterville Unified School District (the "District") in connection with the issuance by the District of \$1,270,000 principal amount of Porterville Unified School District (County of Tulare, California) 2021 General Obligation Refunding Bonds, Series A (Strathmore Union High School District) (the "Bonds"). The Bonds have been authorized to be issued under the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53550 of said Code (the "Bond Law"), and resolution of the Board adopted on February 23, 2021 (the "Bond Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Bond Resolution and in the certified proceedings and other certifications furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, under existing law, as follows:

1. The District is a duly created and validly existing unified school district with the power to issue the Bonds, and to perform its obligations under the Bond Resolution and the Bonds.
2. The Bond Resolution has been duly adopted by the Board, and constitutes a valid and binding obligation of the District enforceable upon the District.

3. The Bonds have been duly authorized, executed and delivered by the District and are valid and binding general obligations of the District.

4. The Board of Supervisors of Tulare County are required under the Act to levy an *ad valorem* tax upon the taxable property in the District, unlimited as to rate or amount, for the payment of principal of and interest on the Bonds.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Bond Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

Jones Hall,
A Professional Law Corporation

LEGAL OPINION RELATING TO SERIES B BONDS

May 4, 2021

Board of Trustees
Porterville Unified School District
600 West Grand Avenue
Porterville, CA 93257

OPINION: \$2,445,000 Porterville Unified School District (County of Tulare, California) 2021 General Obligation Refunding Bonds, Series B (Porterville Unified School Facilities Improvement District)

Members of the Board of Trustees:

We have acted as bond counsel to the Porterville Unified School District (the "District") in connection with the issuance by the District of \$2,445,000 principal amount of Porterville Unified School District (County of Tulare, California) 2021 General Obligation Refunding Bonds, Series B (Porterville Unified School Facilities Improvement District) (the "Bonds"). The Bonds have been authorized to be issued under the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53550 of said Code (the "Bond Law"), and resolution of the Board adopted on February 23, 2021 (the "Bond Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Bond Resolution and in the certified proceedings and other certifications furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, under existing law, as follows:

1. The District is a duly created and validly existing unified school district with the power to issue the Bonds, and to perform its obligations under the Bond Resolution and the Bonds.
2. The Bond Resolution has been duly adopted by the Board, and constitutes a valid and binding obligation of the District enforceable upon the District.
3. The Bonds have been duly authorized, executed and delivered by the District and are valid and binding general obligations of the District.
4. The Board of Supervisors of Tulare County are required under the Act to levy an *ad valorem* tax upon the taxable property within the Improvement District, unlimited as to rate or amount, for the payment of principal of and interest on the Bonds.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Bond Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

Jones Hall,
A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$1,270,000
PORTERVILLE UNIFIED SCHOOL DISTRICT
(County of Tulare, California)
2021 General Obligation Refunding Bonds, Series A
(Strathmore Union High School District)

\$2,445,000
PORTERVILLE UNIFIED SCHOOL DISTRICT
(County of Tulare, California)
2021 General Obligation Refunding Bonds, Series B
(Porterville Unified School Facilities Improvement District)

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “**Disclosure Certificate**”) is executed and delivered by the Porterville Unified School District (the “**District**”) in connection with the execution and delivery of the captioned bonds (the “**Bonds**”). The Bonds are being executed and delivered pursuant to resolutions adopted by the Board of Trustees of the District on February 23, 2021 (together, the “**Resolutions**”). U.S. Bank National Association is initially acting as paying agent for the Bonds (the “**Paying Agent**”). The District hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Resolutions, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means the date not later than nine months after the end of each fiscal year of the District (currently June 30th), or March 31.

“*Dissemination Agent*” means initially Isom Advisors, a Division of Urban Futures, Inc., or any third-party Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

“*Official Statement*” means the final official statement executed by the District in connection with the issuance of the Bonds.

“*Paying Agent*” means U.S. Bank National Association, Los Angeles, California, or any successor thereto.

“*Participating Underwriter*” means Raymond James & Associates, Inc., the original purchaser of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Rule*” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2022 with the report for the 2020-21 fiscal year, provide to the MSRB in an electronic format as prescribed by the MSRB (currently through its Electronic Municipal Market Access system), an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(a). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB, a notice, with a copy to the Paying Agent and Participating Underwriter.

(c) With respect to each Annual Report, the Dissemination Agent shall:

- (i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and
- (ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided to the MSRB.

Section 4. Content of Annual Reports. The District’s Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not

available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not contained in the audited financial statements filed pursuant to the preceding clause (a), the Annual Report shall contain information showing:

- (i) the average daily attendance in District schools on an aggregate basis for the preceding fiscal year;
- (ii) pension plan contributions made by the District for the preceding fiscal year;
- (iii) aggregate principal amount of short-term borrowings, lease obligations and other long-term borrowings of the District as of the end of the preceding fiscal year;
- (iv) description of amount of general fund revenues and expenditures which have been budgeted for the current fiscal year, together with audited actual budget figures for the preceding fiscal year;
- (v) prior fiscal year total secured property tax levy and collections and delinquencies in the Porterville Unified School Facilities Improvement District (the "Improvement District"), showing current collections as a percent of the total levy; and
- (vi) current fiscal year assessed valuation of taxable properties in the Improvement District, including assessed valuation of the top ten properties, if available from the County at no cost to the District.

(c) In addition to any of the information expressly required to be provided under paragraphs (a) and (b) of this Section, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds in a timely manner as described in (b) below:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.

- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of Bondholders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the District.
- (13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14), and (a)(15) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the Bonds or the District. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of

these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(e) For purposes of Section 5(a)(15) and (16), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days’ written notice to the District and the Paying Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after

taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Resolutions for amendments to the Resolutions with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolutions, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent will have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the Bondholders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: May 4, 2021

**PORTERVILLE UNIFIED SCHOOL
DISTRICT**

By: _____
Superintendent

**ACCEPTANCE OF DUTIES
AS DISSEMINATION AGENT:**

By _____
Authorized Officer

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APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

None of the District, the Paying Agent or the Underwriter take any responsibility for the information contained in this Section.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (in this Appendix, the “Bonds”). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices will be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting

rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from District or Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to District or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

10. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that District believes to be reliable, but District takes no responsibility for the accuracy thereof.

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APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN



BAM

**CALIFORNIA
ENDORSEMENT TO
MUNICIPAL BOND
INSURANCE POLICY
NO.**

This Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 15.2 of Chapter 1 of Part 2 of Division 1 of the California Law.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language

IN WITNESS WHEREOF, BUILDAMERICA MUTUAL ASSURANCE COMPANY has caused this policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By

Authorized Officer

