

MILPITAS UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2021

MILPITAS UNIFIED SCHOOL DISTRICT

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

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MILPITAS UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Milpitas Unified School District
Milpitas, 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 Milpitas Unified School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Milpitas Unified School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Milpitas Unified School District, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Emphasis of Matter

As discussed in Note 1 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. This resulted in a restatement of the beginning governmental activities net position and the beginning aggregate remaining fund information fund balance totaling \$220,032. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 9 the General Fund Budgetary Comparison Schedule, the Schedule of Changes in the District's Total Other Postemployment Benefits (OPEB) Liability, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 46 to 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Milpitas Unified School District's basic financial statements. The accompanying schedule of expenditure of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the Schedule of Financial Trends and Analysis, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2022, on our consideration of Milpitas Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Milpitas 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 Milpitas Unified School District's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Sacramento, California
January 27, 2022

MILPITAS UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

This discussion and analysis of Milpitas Unified School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District's overall financial position increased by 75.7% to (\$3.51) million compared to last year due to increase in capital assets and the economic gain from general obligation bond refunding.
- Total governmental revenues were \$170 million, \$6.1 million more than previous year due to increase in program grant revenues.
- The total costs of basic programs were \$159.3 million. A portion of these costs being paid from charges, fees, and intergovernmental aid, the net cost that required taxpayer funding was \$118.2 million.
- The District's combined fund balances were at \$98.9 million, which decreased by \$33.2 million, primarily due to the changes in capital projects.
- In December 2019, a novel strain of coronavirus surfaced and has spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and financial results of the District could be materially adversely affected. While there was no material impact through the year ended June 30, 2021, the extent to which the coronavirus may impact financial activity will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.
- On March 13, 2020, the Governor of California issued Executive Order N-26-20, guaranteeing state funding to support the continued payment of salaries and benefits to all employees through June 30, 2021 and suspended attendance reporting for the 2021 school year and funded the district at its 2020 average daily attendance (grades K-12) of 10,010.73.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
 - *Fiduciary fund* statement provides information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

MILPITAS UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-1. Organization of Milpitas Unified School District's Annual Financial Report

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

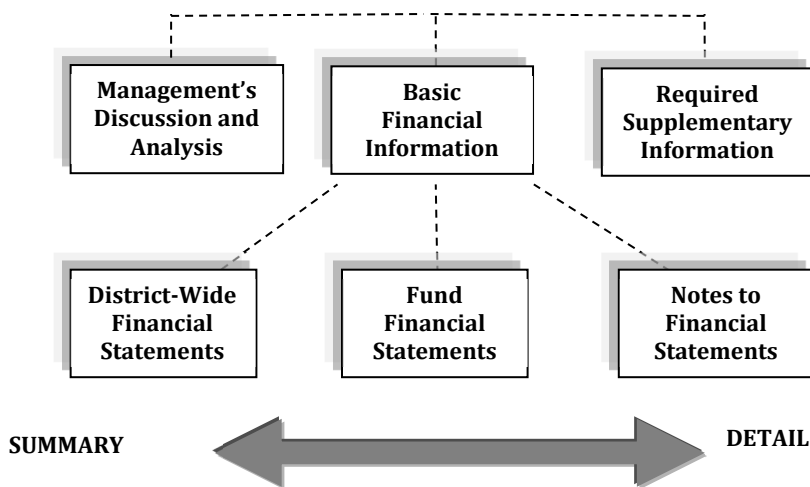


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Funds	Fiduciary Funds
<i>Scope</i>	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain non-financial assets, though they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

MILPITAS UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

District-Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of school buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

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

The District has two kinds of funds:

- **Governmental funds** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Considering that this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.
- **Fiduciary funds** – The District is the custodian, or fiduciary, for assets that belong to others, namely, the scholarship trust fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

MILPITAS UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was higher on June 30, 2021, than it was the year before – increasing 75.7% to (\$3.5) million (See Table A-1).

Table A-1

	Governmental Activities		Variance Increase (Decrease)
	2021	2020	
Current assets	\$ 115,556,007	\$ 141,826,169	\$(26,270,162)
Capital assets	201,138,228	170,209,125	30,929,103
Total assets	316,694,235	312,035,294	4,658,941
Total deferred outflows	34,271,704	34,310,819	(39,115)
Current liabilities	18,837,098	30,675,756	(11,838,658)
Long-term liabilities	325,444,357	317,255,076	8,189,281
Total liabilities	344,281,455	347,930,832	(3,649,377)
Total deferred inflows	10,195,096	12,841,891	(2,646,795)
Net position			
Net investment in capital assets	67,664,975	54,991,495	12,673,480
Restricted	32,856,865	29,207,630	3,649,235
Unrestricted	(104,032,452)	(98,625,735)	(5,406,717)
Total net position	\$ (3,510,612)	\$ (14,426,610)	\$10,915,998

- **Changes in net position, governmental activities.** The District's total revenues increased 3.7% to \$170 million (See Table A-2). \$6.1 million more than previous year due to increase in program grant funding.

The total cost of all programs and services increased .46% to \$159.3 million. The District's expenses are predominantly related to educating and caring for students, 76.5%. The administrative activities of the District accounted for 9.7% of total costs. A significant contributor to the increase in costs was instruction and COVID safety.

Table A-2

	Governmental Activities		Variance Increase (Decrease)
	2021	2020	
Total Revenues	\$ 170,067,900	\$ 163,922,177	\$6,145,723
Total Expenses	159,371,934	158,645,943	725,991
Decrease in net position	\$10,695,966	\$ 5,276,234	\$5,419,732

MILPITAS UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

- The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$98.9 million, which decreased by \$33.2 million, primarily due to the changes in capital projects.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increased by \$2.4 million primarily to reflect \$2.7 million increase in LCFF revenue and decrease of (\$0.3) million in other federal, state or local revenues.
- Salaries and benefits costs – stayed consistent with the final budget.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by approximately \$6.2 million (before transfers in/out), the actual result for the year shows that revenues exceeded expenditures by \$0.6 million. Actual revenues received were \$2.4 million more than anticipated, and expenditures were \$4.5 million less than budgeted. That amount consists primarily of categorical (unrestricted and restricted) program dollars that were not spent as of June 30, 2021 that will be carried over into the 2021-22 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2020-21 the District had invested \$40.4 million in new capital assets, related to land and building improvements, net of accumulated depreciation. (More detailed information about capital assets can be found in Note 4 to the financial statements). Total depreciation expense for the year exceeded \$9.4 million.

Table A-3: Capital Assets at Year End, net of Depreciation

	Governmental Activities		Variance Increase (Decrease)
	2021	2020	
Land	\$ 22,771,808	\$ 22,771,808	\$ -
Building and improvements	111,849,351	113,811,031	(1,961,680)
Furniture and equipment	14,619,494	15,855,034	(1,235,540)
Construction in progress	51,897,575	17,771,252	34,126,323
Total	\$ 201,138,228	\$ 170,209,125	\$30,929,103

MILPITAS UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2021

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end the District had \$325.4 million in general obligation bonds, certificates of participation, and other long-term liabilities, as well as other long-term employee related obligations – a decrease of approximately \$9.8 million – as shown in Table A-4. (More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements).

Table A-4: Outstanding Long-Term Debt at Year-End

	Governmental Activities		Variance Increase (Decrease)
	2021	2020	
General obligation bonds	\$ 154,160,000	\$ 166,415,000	(12,255,000)
Unamortized premiums	8,948,484	12,701,278	(3,752,794)
Certificates of participation	11,177,780	12,013,124	(835,344)
Due to Santa Clara County	-	24,331	(24,331)
Other postemployment benefits	15,096,088	14,889,480	206,608
Net pension liability	135,256,000	128,638,000	6,618,000
Compensated absences	806,005	626,845	179,160
Total	325,444,357	335,308,058	(9,863,701)

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District's Business Office at (408) 635-2600.

BASIC FINANCIAL STATEMENTS

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

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 88,484,408
Receivables	26,310,997
Prepaid expenses	429,496
Stores inventory	331,106
Non-depreciable capital assets (Note 4)	74,669,383
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>126,468,845</u>
Total assets	<u>316,694,235</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions (Notes 7 and 8)	31,051,584
Deferred outflows of resources - OPEB (Note 9)	1,551,408
Deferred loss from refunding of debt	<u>1,668,712</u>
Total deferred outflows	<u>34,271,704</u>
LIABILITIES	
Accounts payable	17,345,720
Unearned revenue	1,491,378
Long-term liabilities (Note 5):	
Due within one year	18,704,663
Due after one year	<u>306,739,694</u>
Total liabilities	<u>344,281,455</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 7 and 8)	6,048,000
Deferred inflows of resources - OPEB (Note 9)	<u>4,147,096</u>
Total deferred inflows	<u>10,195,096</u>
NET POSITION	
Net investment in capital assets	67,664,975
Restricted:	
Legally restricted programs	6,895,358
Capital projects	6,080,228
Debt service	19,881,279
Unrestricted	<u>(104,032,452)</u>
Total net position	<u>\$ (3,510,612)</u>

See accompanying notes to financial statements.

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

		Program Revenues		Net (Expense) Revenues and Change in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:				
Instruction	\$ 93,386,060	\$ 9,640	\$ 21,750,719	\$ (71,625,701)
Instruction-related services:				
Supervision on instruction	5,247,041	-	1,986,751	(3,260,290)
Instructional library, media and technology	157,597	-	10,142	(147,455)
School site administration	10,523,926	9,485	2,819,172	(7,695,269)
Pupil services:				
Home-to-school transportation	374,148	-	2,470	(371,678)
Food services	3,810,538	-	4,126,603	316,065
All other pupil services	8,451,479	27	1,052,682	(7,398,770)
General administration:				
Data processing	1,655,756	-	8,252	(1,647,504)
All other general administration	13,809,625	324	3,282,459	(10,526,842)
Plant services	11,496,045	24,111	1,797,806	(9,674,128)
Ancillary services	319,704	-	84,496	(235,208)
Other outgo	5,614,608	2,560,259	1,559,796	(1,494,553)
Interest on long-term liabilities	4,525,407	-	-	(4,525,407)
Total governmental activities	<u>\$ 159,371,934</u>	<u>\$ 2,603,846</u>	<u>\$ 38,481,348</u>	<u>(118,286,740)</u>
General revenues:				
Taxes and subventions:				
Taxes levied for general purposes				64,448,713
Taxes levied for debt service				20,412,627
Taxes levied for other specific purposes				6,762,786
Federal and state aid not restricted to specific purposes				35,646,025
Interest and investment earnings				386,685
Miscellaneous				<u>1,325,870</u>
Total general revenues				<u>128,982,706</u>
Change in net position				10,695,966
Net position, July 1, 2020				<u>(14,426,610)</u>
Cumulative effect of GASB 84 implementation				220,032
Net Position, July 1, 2020, as restated				<u>(14,206,578)</u>
Net position, June 30, 2021				<u>\$ (3,510,612)</u>

See accompanying notes to financial statements.

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

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and investments:					
Cash in County Treasury	\$ 13,218,209	\$ 48,086,271	\$ 19,858,898	\$ 6,943,903	\$ 88,107,281
Cash on hand and in banks	152,817	-	-	203,222	356,039
Cash in revolving fund	15,000	-	-	4,088	19,088
Collections awaiting deposit	2,000	-	-	-	2,000
Receivables	22,413,017	446,522	22,381	3,429,077	26,310,997
Due from other funds	2,335,676	100,000	-	150,000	2,585,676
Stores inventory	258,803	-	-	72,303	331,106
Prepaid expenditures	302,595	123,750	-	3,151	429,496
	<u>302,595</u>	<u>123,750</u>	<u>-</u>	<u>3,151</u>	<u>429,496</u>
Total assets	<u>\$ 38,698,117</u>	<u>\$ 48,756,543</u>	<u>\$ 19,881,279</u>	<u>\$ 10,805,744</u>	<u>\$ 118,141,683</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 6,923,754	\$ 7,984,505	\$ -	\$ 247,141	\$ 15,155,400
Unearned revenue	1,491,378	-	-	-	1,491,378
Due to other funds	150,000	1,627,739	-	807,937	2,585,676
	<u>150,000</u>	<u>1,627,739</u>	<u>-</u>	<u>807,937</u>	<u>2,585,676</u>
Total liabilities	<u>8,565,132</u>	<u>9,612,244</u>	<u>-</u>	<u>1,055,078</u>	<u>19,232,454</u>
Fund balances:					
Nonspendable	576,398	123,750	-	79,542	779,690
Restricted	3,224,920	39,020,549	19,881,279	9,671,124	71,797,872
Assigned	5,036,900	-	-	-	5,036,900
Unassigned	21,294,767	-	-	-	21,294,767
	<u>21,294,767</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,294,767</u>
Total fund balances	<u>30,132,985</u>	<u>39,144,299</u>	<u>19,881,279</u>	<u>9,750,666</u>	<u>98,909,229</u>
Total liabilities and fund balances	<u>\$ 38,698,117</u>	<u>\$ 48,756,543</u>	<u>\$ 19,881,279</u>	<u>\$ 10,805,744</u>	<u>\$ 118,141,683</u>

See accompanying notes to financial statements.

MILPITAS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET –
TO THE STATEMENT OF NET POSITION
June 30, 2021

Total fund balances - Governmental Funds		\$ 98,909,229
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$344,533,425 and the accumulated depreciation is \$143,395,197 (Note 4).		
		201,138,228
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred.		
		(2,190,320)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at June 30, 2021 consisted of (Note 5):		
General Obligation Bonds	\$ (154,160,000)	
Unamortized premiums	(8,948,484)	
Certificates of Participation	(11,177,780)	
Total OPEB liability (Note 9)	(15,096,088)	
Net pension liability (Notes 7 and 8)	(135,256,000)	
Compensated absences	<u>(806,005)</u>	(325,444,357)
Losses on refundings of debt are categorized as deferred outflows and are amortized over the life of the related debt.		
		1,668,712
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported:		
Deferred outflows of resources relating to pensions	31,051,584	
Deferred inflows of resources relating to pensions	<u>(6,048,000)</u>	<u>25,003,584</u>
In governmental funds, deferred outflows and inflows relating to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows relating to OPEB are reported:		
Deferred outflows of resources relating to OPEB	1,551,408	
Deferred inflows of resources relating to OPEB	<u>(4,147,096)</u>	<u>(2,595,688)</u>
Total net position - governmental activities		<u>\$ (3,510,612)</u>

See accompanying notes to financial statements.

MILPITAS UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:					
Local Control Funding Formula (LCFF):					
State apportionment	\$ 33,279,869	\$ -	\$ -	\$ -	\$ 33,279,869
Local sources	64,438,594	-	-	-	64,438,594
Total LCFF	97,718,463	-	-	-	97,718,463
Federal sources	8,654,608	-	-	4,471,570	13,126,178
Other state sources	17,230,187	-	63,443	4,387,346	21,680,976
Other local sources	7,392,778	7,447,854	20,447,946	1,235,709	36,524,287
Total revenues	130,996,036	7,447,854	20,511,389	10,094,625	169,049,904
Expenditures:					
Current:					
Certificated salaries	60,665,928	-	-	1,472,777	62,138,705
Classified salaries	17,847,059	465,542	-	2,558,473	20,871,074
Employee benefits	31,204,197	230,549	-	1,856,183	33,290,929
Books and supplies	5,927,294	1,890,911	-	1,163,597	8,981,802
Contract services and operating expenditures	8,973,836	921,587	387,860	420,404	10,703,687
Other outgo	5,614,608	-	-	-	5,614,608
Capital outlay	51,024	37,407,594	-	259,871	37,718,489
Debt service:					
Principal retirement	24,331	835,344	17,125,000	-	17,984,675
Interest	-	325,199	5,280,879	-	5,606,078
Total expenditures	130,308,277	42,076,726	22,793,739	7,731,305	202,910,047
Excess (deficiency) of revenues over (under) expenditures	687,759	(34,628,872)	(2,282,350)	2,363,320	(33,860,143)
Other financing sources (uses):					
Transfers in	1,511,395	-	-	450,000	1,961,395
Transfers out	-	(1,900,000)	-	(61,395)	(1,961,395)
Proceeds from issuance of GO Bonds	-	-	46,660,000	-	46,660,000
Deposit to refunding escrow	-	-	(46,272,140)	-	(46,272,140)
Total other financing sources (uses)	1,511,395	(1,900,000)	387,860	388,605	387,860
Change in fund balances	2,199,154	(36,528,872)	(1,894,490)	2,751,925	(33,472,283)
Fund balances, July 1, 2020	27,933,831	75,673,171	21,775,769	6,778,709	132,161,480
Cumulative effect of GASB 84 implementation	-	-	-	220,032	220,032
Fund balance, July 1, 2020, as restated	27,933,831	75,673,171	21,775,769	6,998,741	132,381,512
Fund balances, June 30, 2021	\$ 30,132,985	\$ 39,144,299	\$ 19,881,279	\$ 9,750,666	\$ 98,909,229

See accompanying notes to financial statements.

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

Net change in fund balances - Total Governmental Funds	\$ (33,472,283)
Amounts reported for governmental activities in the statement of activities are different because:	
Acquisition of capital assets is an expenditure in governmental funds, but increases capital assets in the statement of net position (Note 4).	40,424,449
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(9,495,346)
In governmental funds, proceeds from the issuance of debt are recognized as other financing sources. In the government-statements, proceeds from debt increase liabilities (Note 5):	(46,660,000)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5).	59,774,675
In governmental funds, debt issued at a premium is recognized as other financing source. In the government-wide statements premiums are amortized with interest over the life of the debt (Note 5).	3,752,794
In governmental funds, deferred outflows or inflows from the refunding of debt are not recognized. In the government-wide statements, losses from refunding of debt are deferred and amortized over the shorter of the life of the new debt or the refunded debt.	1,430,111
In governmental funds, interest on long-term liabilities is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred.	767,765

(Continued)

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

In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. The difference between accrual-basis pension costs and actual District contributions was:	\$ (6,033,847)
In governmental funds, other postemployment benefits (OPEB) costs are expensed in the period paid, In the statement of activities, OPEB costs are recognized on the accrual basis. The difference between accrual-basis OPEB costs and actual District contributions was:	386,808
In the statement of activities, expenditures related to compensated absences are measured by the amounts earned during the year. In governmental funds, expenditures are measured by the amount of financial resources used (Note 5).	<u>(179,160)</u>
Change in net position of governmental activities	<u>\$ 10,695,966</u>

See accompanying notes to financial statements.

MILPITAS UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUND
June 30, 2021

	Scholarship Trust
ASSETS	
Cash on hand and in bank (Note 2)	\$ <u>247,476</u>
NET POSITION	
Restricted - scholarships	\$ <u>247,476</u>

See accompanying notes to financial statements.

MILPITAS UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
CUSTODIAL FUND
For the Year Ended June 30, 2021

	Scholarship Trust
Additions:	
Local sources	\$ <u>231,998</u>
Deductions:	
Contract services and operating expenditures	<u>101,250</u>
Change in net position	130,748
Net position, July 1, 2020	<u>116,728</u>
Net position, June 30, 2021	<u>\$ 247,476</u>

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A - Major Funds

General Fund - The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

Building Fund - The Building Fund is a capital projects fund used to account for proceeds from the sale of bonds and the acquisition of major governmental capital facilities and buildings.

Bond Interest and Redemption Fund - The Bond Interest and Redemption Fund is a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

B - Other Funds

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

Capital Facilities Fund - The Capital Facilities Fund is a capital projects fund used to account for resources used for the construction of capital facilities by the District.

Scholarship Trust Fund - The Scholarship Trust Fund is a custodial fund for which the District holds funds which are owned and managed by a third party. The Scholarship Trust Fund accounts for all cash activity and assets of funds to be distributed to students of the District through scholarships.

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

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

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

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

(Continued)

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables: Receivables are made up principally of amounts due from the State of California and categorical programs. The District has determined that no allowance for doubtful accounts was necessary as of June 30, 2021.

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

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

Compensated Absences: Compensated absences totaling \$806,005 are recorded as a liability of the District. The liability is for the earned but unused benefits.

Accumulated Sick Leave: Sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure or expense in the period taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for certain STRP and PERF B employees, when the employee retires.

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

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

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods, and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding of debt, which comprises the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or new debt. The District has also recognized deferred outflows of resources related to the recognition of the net pension liability and total OPEB liability.

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

(Continued)

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	\$ 23,495,151	\$ 7,556,433	\$ 31,051,584
Deferred inflows of resources	\$ 6,048,000	\$ -	\$ 6,048,000
Net pension liability	\$ 95,687,000	\$ 39,569,000	\$ 135,256,000
Pension expense	\$ 19,053,265	\$ 7,249,947	\$ 26,303,212

Net Position: Net position is displayed in three components:

Net Investment in Capital Assets - Consist of capital assets, net of accumulated depreciation, reduced by outstanding related debt and adjusted for unspent debt proceeds and deferred outflows/inflows resulting from refunding debt instruments.

Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriate for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represents programs where the revenue received has been restricted for expenditures only in those particular programs. The restriction for capital projects represents the portion of net position restricted for capital projects. The restriction for debt service represents the portion of net position which the District plans to expend on debt repayment. It is the District's policy to first spend restricted net position when allowable expenditures are incurred.

Unrestricted Net Position - All other net position that do not meet the definitions of "restricted" or "net investments in capital assets".

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

A - Nonspendable Fund Balance - The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash, store's inventory and prepaid expenditures.

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

(Continued)

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C - Committed Fund Balance - The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance. As of June 30, 2021, the District had no committed fund balances.

D - Assigned Fund Balance - The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. While the Board of Trustees has empowered members of management to suggest individual amounts to be assigned, as of June 30, 2021 no formal designation of assignment authority has occurred and the Board of Trustees retains ultimate authority for assigning fund balance.

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

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

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

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2021, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

Property Taxes: Secured property taxes are attached as an enforceable lien on property as of January 1. Taxes are due in two installments on or before November 15 and March 15. Unsecured property taxes are due in one installment on or before August 31. The County of Santa Clara bills and collects taxes for the District. Tax revenues are recognized by the District when received.

Encumbrances: Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. All encumbrances are liquidated as of June 30.

Eliminations and Reclassifications: In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

(Continued)

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates: The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

New Accounting Pronouncements: In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The principal objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. The provisions in GASB Statement No. 84 are effective for reporting periods beginning after December 15, 2019. Based on the implementation of GASB Statement No. 84, the District restated its beginning net position of governmental activities as well as the aggregate remaining fund information beginning fund balance for a total of \$220,032.

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2021 are reported at fair value and consisted of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Fund</u>
<u>Pooled Funds:</u>		
Cash in County Treasury	\$ 88,107,281	\$ -
Collections awaiting deposit	2,000	-
<u>Deposits:</u>		
Cash on hand and in banks	356,039	247,476
Cash in revolving fund	19,088	-
Total cash and investments	\$ 88,484,408	\$ 247,476

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest bearing Santa Clara County Treasurer's Pooled Investment Fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's prorata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

In accordance with applicable state laws, the Santa Clara County Treasurer may invest in derivative securities. However, at June 30, 2021, the Santa Clara County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2021, the carrying amount and bank balances of the District's accounts totaled \$622,603 and \$735,391, respectively. Uninsured bank balances at June 30, 2021 totaled \$359,486.

(Continued)

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

NOTE 2 - CASH AND INVESTMENTS (Continued)

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2021, the District had no significant interest rate risk related to cash and investments held.

Credit Risk: The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2021, the District had no concentration of credit risk.

NOTE 3 - INTERFUND TRANSACTIONS

Interfund Activity: Transactions between funds of the District are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables: Individual interfund receivable and payable balances at June 30, 2021 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 2,335,676	\$ 150,000
Building	100,000	1,627,739
Non-Major Funds:		
Adult Education	-	707,443
Child Development	-	494
Deferred maintenance	<u>150,000</u>	<u>100,000</u>
Totals	<u>\$ 2,585,676</u>	<u>\$ 2,585,676</u>

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

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

Transfer from the Adult Education Fund to the General Fund for indirect costs support.	\$ 61,395
Transfer from the Building Fund to the General Fund to provide reserves towards a new elementary school.	1,450,000
Transfer from the Building Fund to the Deferred Maintenance Fund to provide operational support.	<u>450,000</u>
	<u>\$ 1,961,395</u>

(Continued)

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

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, <u>2020</u>	<u>Additions</u>	Transfers and <u>Deductions</u>	Balance June 30, <u>2021</u>
<u>Governmental Activities</u>				
Non-depreciable:				
Land	\$ 22,771,808	\$ -	\$ -	\$ 22,771,808
Work-in-process	17,771,252	40,424,449	(6,298,126)	51,897,575
Depreciable:				
Buildings	77,662,147	-	-	77,662,147
Land improvements	153,397,610	5,975,416	-	159,373,026
Furniture and equipment	<u>32,506,159</u>	<u>322,710</u>	<u>-</u>	<u>32,828,869</u>
Totals, at cost	<u>304,108,976</u>	<u>46,722,575</u>	<u>(6,298,126)</u>	<u>344,533,425</u>
Less accumulated depreciation:				
Buildings	(35,279,806)	(1,244,969)	-	(36,524,775)
Land improvements	(81,968,920)	(6,692,127)	-	(88,661,047)
Furniture and equipment	<u>(16,651,125)</u>	<u>(1,558,250)</u>	<u>-</u>	<u>(18,209,375)</u>
Total accumulated depreciation	<u>(133,899,851)</u>	<u>(9,495,346)</u>	<u>-</u>	<u>(143,395,197)</u>
Capital assets, net	<u>\$ 170,209,125</u>	<u>\$ 37,227,229</u>	<u>\$ (6,298,126)</u>	<u>\$ 201,138,228</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 3,149,307
Home-to-school transportation	6,313
Food services	24,247
General administration	5,958,509
Data processing	149,387
Plant services	<u>207,583</u>
Total depreciation expense	<u>\$ 9,495,346</u>

(Continued)

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

NOTE 5 - LONG-TERM LIABILITIES

General Obligation Bonds: On January 28, 2010, the District issued 2010 General Obligation Refunding Bonds (2010 GO Refunding) totaling \$11,670,000. Bond proceeds were used to refund all the outstanding 2001 refunding bonds. The 2010 Refunding Bonds bear interest at rates ranging from 2.0% to 4.0% and are scheduled to mature through March 2021.

On August 21, 2012, the District issued Election of 2012, Series A General Obligation Bonds (2012 Series A) totaling \$55,000,000. The proceeds of the Bond are being used to update and construct District facilities. The Bonds bear interest at rates ranging from 1.5% to 5.0% and mature through February 2038.

On August 7, 2014, the District issued Election of 2012, Series B General Obligation Bonds (2010 Series B), totaling \$40,000,000. The proceeds of the Bonds are being used to update and construct District facilities. The bonds bear interest at rates ranging from 1.0% to 5.0% and are scheduled to mature through February 2038.

On August 7, 2014, the District issued 2014 General Obligation Refunding Bonds (2014 GO Refunding) totaling \$24,785,000. The proceeds of the Bonds are being used to prepay the District's outstanding General Obligation Bonds. The bonds bear interest at rates ranging from 1.0% to 5.0% and are scheduled to mature through February 2025.

On May 8, 2019, the District issued Election of 2018, Series A General Obligation Bonds (2018 Series A), totaling \$75,000,000. The proceeds of the Bonds are being used to update and construct District facilities. The bonds bear interest at rates ranging from 3.0% to 5.0% and are scheduled to mature through August 2044.

On July 23, 2020, the District issued 2020 General Obligation Refunding Bonds (2020 GO Refunding) totaling \$46,660,000. The proceeds of the Bonds are being used to prepay certain maturities of the District's outstanding Election 2012, Series A General Obligation Bonds. The bonds bear interest at rates ranging from 0.337% to 2.401% and are scheduled to mature through August 2037.

Although the refunding will result in the recognition of an accounting loss of \$1,701,155 for the year ended June 30, 2021, the District in effect reduced its aggregate debt service payments by \$7,751,847 over the next 17 years and obtained an economic gain of \$6,589,589.

The General Obligation Bonds outstanding as of June 30, 2021 are scheduled to mature as follows.

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 16,055,000	\$ 4,907,618	\$ 20,962,618
2023	6,890,000	4,438,276	11,328,276
2024	7,380,000	4,068,202	11,448,202
2025	7,835,000	3,785,590	11,620,590
2026	4,340,000	3,583,129	7,923,129
2027-2031	26,930,000	15,727,638	42,657,638
2032-2036	37,795,000	10,492,800	48,287,800
2037-2041	29,225,000	4,533,204	33,758,204
2042-2045	17,710,000	1,140,563	18,850,563
	<u>\$ 154,160,000</u>	<u>\$ 52,677,020</u>	<u>\$ 206,837,020</u>

(Continued)

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

NOTE 5 - LONG-TERM LIABILITIES (Continued)

A summary of General Obligation Bonds outstanding as of June 30, 2021 follows.

<u>Series</u>	<u>Interest Rate</u>	<u>Original Maturity</u>	<u>Balance July 1, 2020</u>	<u>Current Year Issuances</u>	<u>Current Year Maturities</u>	<u>Balance June 30, 2021</u>
2010 GO Refunding Bonds	2.0-4.0%	2021	\$ 1,350,000	\$ -	\$ 1,350,000	\$ -
Election of 2012, Series A	1.5-5.0%	2038	44,500,000	-	41,790,000	2,710,000
Election of 2012, Series B	1.0-5.0%	2038	29,445,000	-	1,945,000	27,500,000
2014 GO Refunding Bonds	1.0-5.0%	2025	16,120,000	-	1,945,000	14,175,000
Election of 2018 Series A	3.0-5.0%	2045	75,000,000	-	10,980,000	64,020,000
2020 GO Refunding Bonds	0.337-2.401%	2038	-	46,660,000	905,000	45,755,000
			<u>\$ 166,415,000</u>	<u>\$ 46,660,000</u>	<u>\$ 58,915,000</u>	<u>\$ 154,160,000</u>

Certificates of Participation: In December 2014, the District issued Certificates of Participation (2015 COPs) in the amount of \$15,515,400 with interest rates from 2.60% to 3.92%, maturing on December 30, 2031.

Scheduled payments for the 2015 COPs are as follows:

<u>Year Ending June 30,</u>	<u>Payments</u>
2022	\$ 1,209,602
2023	1,249,554
2024	1,284,666
2025	1,302,190
2026	1,302,190
2027-2031	5,934,965
2032	<u>535,898</u>
Total Payments	12,819,065
Less amount representing interest	<u>(1,641,285)</u>
Net present value of minimum payments	<u>\$ 11,177,780</u>

(Continued)

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

NOTE 5 - LONG-TERM LIABILITIES (Continued)

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

<u>Governmental Activities</u>	Balance July 30, <u>2020</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2021</u>	Amounts Due Within <u>One Year</u>
<u>Debt:</u>					
General Obligation Bonds	\$ 166,415,000	\$ 46,660,000	\$ 58,915,000	\$ 154,160,000	\$ 16,055,000
Unamortized premiums	12,701,278	-	3,752,794	8,948,484	933,456
Certificates of Participation	12,013,124	-	835,344	11,177,780	910,202
<u>Other long-term liabilities:</u>					
Due to SCCOE	24,331	-	24,331	-	-
Total OPEB liability (Note 9)	14,889,480	206,608	-	15,096,088	-
Net pension liability (Notes 7 & 8)	128,638,000	6,618,000	-	135,256,000	-
Compensated absences	<u>626,845</u>	<u>179,160</u>	<u>-</u>	<u>806,005</u>	<u>806,005</u>
	<u>\$ 335,308,058</u>	<u>\$ 53,663,768</u>	<u>\$ 63,527,469</u>	<u>\$ 325,444,357</u>	<u>\$ 18,704,663</u>

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the Certificates of Participation are made from the Building Fund. Amounts due to the SCCOE are made from the General Fund. Payments related to the total OPEB liability, net pension liability, and compensated absences are made from the fund for which the related employee worked.

(Continued)

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

NOTE 6 - FUND BALANCES

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

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total
Nonspendable:					
Revolving cash fund	\$ 15,000	\$ -	\$ -	\$ 4,088	\$ 19,088
Stores inventory	258,803	-	-	72,303	331,106
Prepaid expenditures	<u>302,595</u>	<u>123,750</u>	<u>-</u>	<u>3,151</u>	<u>429,496</u>
Subtotal nonspendable	<u>576,398</u>	<u>123,750</u>	<u>-</u>	<u>79,542</u>	<u>779,690</u>
Restricted:					
Legally restricted:					
Grants	3,224,920	-	-	-	3,224,920
Student activities	-	-	-	203,222	203,222
Adult education	-	-	-	2,263,311	2,263,311
Child development	-	-	-	233,780	233,780
Cafeteria operations	-	-	-	782,612	782,612
Deferred maintenance	-	-	-	111,122	111,122
Capital projects	-	39,020,549	-	6,077,077	45,097,626
Debt service	<u>-</u>	<u>-</u>	<u>19,881,279</u>	<u>-</u>	<u>19,881,279</u>
Subtotal restricted	<u>3,224,920</u>	<u>39,020,549</u>	<u>19,881,279</u>	<u>9,671,124</u>	<u>71,797,872</u>
Assigned:					
Other postemployment benefits	1,797,794	-	-	-	1,797,794
Worker's Compensation	256,535	-	-	-	256,535
Program Carryover	<u>2,982,571</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,982,571</u>
Subtotal assigned	<u>5,036,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,036,900</u>
Unassigned:					
Reserved for economic uncertainty	20,411,861	-	-	-	20,411,861
Undesignated	<u>882,906</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>882,906</u>
Subtotal unassigned	<u>21,294,767</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,294,767</u>
Total fund balances	<u>\$ 30,132,985</u>	<u>\$ 39,144,299</u>	<u>\$ 19,881,279</u>	<u>\$ 9,750,666</u>	<u>\$ 98,909,229</u>

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

Plan Description: Teaching-certified employees of the District are provided with pensions through the State Teachers' Retirement Plan (STRP) – a cost-sharing multiple-employer defined benefit pension plan administered by the California State Teachers' Retirement System (CalSTRS). The Teachers' Retirement Law (California Education Code Section 22000 et seq.), as enacted and amended by the California Legislature, established this plan and CalSTRS as the administrator. The benefit terms of the plans may be amended through legislation. CalSTRS issues a publicly available financial report that can be obtained at <http://www.calstrs.com/comprehensive-annual-financial-report>

Benefits Provided: The STRP Defined Benefit Program has two benefit formulas:

- CalSTRS 2% at 60: Members first hired on or before December 31, 2012, to perform service that could be creditable to CalSTRS.
- CalSTRS 2% at 62: Members first hired on or after January 1, 2013, to perform service that could be creditable to CalSTRS.

The Defined Benefit Program provides retirement benefits based on members' final compensation, age and years of service credit. In addition, the retirement program provides benefits to members upon disability and to survivors/beneficiaries upon the death of eligible members. There are several differences between the two benefit formulas which are noted below.

CalSTRS 2% at 60 - CalSTRS 2% at 60 members are eligible for normal retirement at age 60, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. Early retirement options are available at age 55 with five years of credited service or as early as age 50 with 30 years of credited service. The age factor for retirements after age 60 increases with each quarter year of age to 2.4 percent at age 63 or older. Members who have 30 years or more of credited service receive an additional increase of up to 0.2 percent to the age factor, known as the career factor. The maximum benefit with the career factor up to the 2.4 percent maximum

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

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

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

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

(Continued)

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

In June 2019, California Senate Bill 90 (SB 90) was signed into law and appropriated approximately \$2.2 billion in fiscal year 2018–19 from the state's General Fund as contributions to CalSTRS on behalf of employers. The bill required portions of the contribution to supplant the amounts remitted by employers such that the amounts remitted will be 1.03 and 0.70 percentage points less than the statutorily required amounts due for fiscal years 2019–20 and 2020–21, respectively. The remaining portion of the contribution, approximately \$1.6 billion, was allocated to reduce the employers' share of the unfunded actuarial obligation of the DB Program.

California Assembly Bill 84, Chapter 16, Statutes of 2020, (AB 84) was signed into law in June 2020 and revised certain provisions of Teachers' Retirement Law enacted by SB 90. Specifically, AB 84 repurposed the aforementioned \$1.6 billion contribution originally intended to reduce employers' long-term liabilities, to further supplant employer contributions through fiscal year 2021–22. Pursuant to AB 84, employers will remit contributions to CalSTRS based on a rate that is 2.95 percent less than the statutory rate for fiscal year 2020–21 and 2.18 percent less than the rate set by the board for fiscal year 2021–22. Any remaining amounts must be allocated to reduce the employers' share of the unfunded actuarial obligation of the DB Program. The rate reduction for fiscal year 2019–20 under SB 90 was not changed by AB 84. The employer contribution rates set in statute and the board's authority to adjust those rates starting in fiscal year 2021–22 under the CalSTRS Funding Plan were not changed by the passage of SB 90 or AB 84 .

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

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

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2020-2021.

Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 10.205 percent of applicable member earnings for fiscal year 2020-2021. According to current law, the contribution rate for CalSTRS 2% at 62 members is adjusted if the normal cost increases or decreases by more than 1percent since the last timethe member contribution rate was set. Based on the June 30, 2019, valuation adopted by the board in May 2020, the increase in normal cost was less than 1percent. Therefore, the contribution rate for CalSTRS 2% at 62 members did not change effective July 1, 2020.

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

The CalSTRS Funding Plan, which was enacted in June 2014 with the passage of California Assembly Bill (AB) 1469, required that employer contributions will increase from 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The legislation gave the CalSTRS board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The CalSTRS board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

(Continued)

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

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The CalSTRS employer contribution rates effective for fiscal year 2020-2021 through fiscal year 2046-47 are summarized in the table below:

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

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

The District contributed \$9,706,151 to the plan for the fiscal year ended June 30, 2021.

State – 10.328 percent of the members' calculated based on creditable compensation from two fiscal years prior.

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

The CalSTRS state contribution rates effective for fiscal year 2020-21 and beyond are summarized in the table below.

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

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

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

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

(Continued)

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

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

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

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

District's proportionate share of the net pension liability	\$	95,687,000
State's proportionate share of the net pension liability associated with the District		<u>52,292,000</u>
Total	\$	<u>147,979,000</u>

The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school districts and the State. At June 30, 2020, the District's proportion was 0.099 percent, which was a decrease of 0.002 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$19,053,265, and revenue of \$6,613,781 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 169,000	\$ 2,699,000
Changes of assumptions	9,331,000	-
Net differences between projected and actual earnings on investments	2,273,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	2,016,000	3,349,000
Contributions made subsequent to measurement date	<u>9,706,151</u>	<u>-</u>
Total	<u>\$ 23,495,151</u>	<u>\$ 6,048,000</u>

\$9,706,151 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

(Continued)

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

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,		
2022	\$	529,967
2023	\$	2,846,967
2024	\$	3,808,467
2025	\$	1,203,133
2026	\$	(342,867)
2027	\$	(304,667)

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2020 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2019
Experience Study	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB, maintain 85% Purchasing power level for DB, not applicable for DBS/CBB

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

Mortality: CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

(Continued)

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

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS investment staff and investment consultants as inputs to the process.

The actuarial investment rate of return assumption was adopted by the CalSTRS board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

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

* 20-year geometric average

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease <u>(6.10%)</u>	Current Discount Rate <u>(7.10%)</u>	1% Increase <u>(8.10%)</u>
District's proportionate share of the net pension liability	\$ <u>144,570,000</u>	\$ <u>95,687,000</u>	\$ <u>55,328,000</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued CalSTRS financial report.

(Continued)

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B

General Information about the Public Employer’s Retirement Fund B

Plan Description: The schools cost-sharing multiple-employer defined benefit pension plan Public Employer’s Retirement Fund B (PERF B) is administered by the California Public Employees’ Retirement System (CalPERS). Plan membership consists of non-teaching and non-certified employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State of California.

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at:

<https://www.calpers.ca.gov/docs/forms-publications/cafr-2020.pdf>.

Benefits Provided: The benefits for the defined benefit plans are based on members’ years of service, age, final compensation, and benefit formula. Benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer’s benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when agencies first join the PERF, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to \$863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2021 were as follows:

Members - The member contribution rate was 7.0 percent of applicable member earnings for fiscal year 2020-2021.

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

The District contributed \$3,949,433 to the plan for the fiscal year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$39,569,000 or its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school districts. At June 30, 2020, the District's proportion was 0.129 percent, which was an increase of 0.002 percent from its proportion measured as of June 30, 2019.

(Continued)

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

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

For the year ended June 30, 2021, the District recognized pension expense of \$7,249,947. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,962,000	\$ -
Changes of assumptions	145,000	-
Net differences between projected and actual earnings on investments	824,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	676,000	-
Contributions made subsequent to measurement date	3,949,433	-
Total	\$ 7,556,433	\$ -

\$3,949,433 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	
2022	\$ 1,405,417
2023	\$ 1,094,417
2024	\$ 727,916
2025	\$ 379,250

Differences between expected and actual experience, changes in assumptions, and changes in proportion are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2020 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

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

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2019, and rolling forward the total pension liability to June 30, 2020. The financial reporting actuarial valuation as of June 30, 2019, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2019
Experience Study	June 30, 1997 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.50%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.50% thereafter

All other actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

Mortality: The mortality table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90% of Scale MP 2016. For more details on this table, please refer to the 2017 experience study report.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return Years 1 - 10⁽¹⁾</u>	<u>Expected Real Rate of Return Years 11+⁽²⁾</u>
Global Equity	50%	4.80%	5.98%
Fixed Income	28	1.00	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8	6.30	7.23
Real Estate	11	2.80	5.21
Infrastructure & Forestland	13	3.75	4.93
Liquidity	1	-	(0.92)

* 10-year geometric average

(1) An expected inflation rate of 2.00% used for this period.

(2) An expected inflation rate of 2.92% used for this period.

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

(Continued)

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

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical and forecasted information for all the funds’ asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long- term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses .

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

	1% Decrease <u>(6.15%)</u>	Current Discount <u>Rate (7.15%)</u>	1% Increase <u>(8.15%)</u>
District’s proportionate share of the net pension liability	<u>\$ 56,887,000</u>	<u>\$ 39,569,000</u>	<u>\$ 25,195,000</u>

Pension Plan Fiduciary Net Position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued CalPERS financial report.

(Continued)

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the Other Postemployment Benefits Plan

Plan Description: In addition to the pension benefits described in Notes 7 and 8, the District provides healthcare benefits to eligible employees who retire from the District, as part of a single-employer defined benefit postemployment health care plan (the "Plan"). The Plan is administered by the District and allows employees who retire after having achieved retirement eligibility requirements to continue receiving medical, dental, vision, or life insurance coverage. The District's Board of Education has the authority to establish or amend the benefit terms offered by the Plan. The District's Board of Education also retains the authority to establish the requirements for paying for the Plan's benefits as they come due. As of June 30, 2021 the District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's total OPEB liability.

Benefits Provided: Employees who retire on or after reaching age 55 with at least 12 years of service, in accordance with contracts between the District and the respective employee group, are entitled to benefits through this plan. Benefits for certificated employees are prorated if the employee worked less than full-time. All District employees who were hired during the year ended June 30, 2007 are only eligible for employee-only medical coverage, and only if they have at least 25 years of service. Employees hired by the District on or after July 1, 2007 are not entitled to any benefits from the Plan.

Benefits provided through the plan vary based on the group in which the employee worked, and total years of service to the District at retirement. For employees who retire having reached between 12 and 14 years of service, the District pays the full amount of the employee-only monthly premium for a District-sponsored medical plan until the employee reaches 65 years of age. For employees who retire having reached between 15 to 19 years of service, the District will pay monthly premiums for a District-sponsored medical plan for the retiree plus one dependent. Retirees have the option to receive employee-only coverage for a District-sponsored medical and dental plan. For employees who retire having reached between 20 and 24 years of service, the District will pay monthly premiums for a District-sponsored medical and dental coverage for themselves and one dependent. Management employees who retire having reached 25 years or more of service to the District receive medical, dental, vision and group term life insurance coverage for the retiree and all dependents, plus life coverage for the retiree.

Retired certificated and classified employees are not eligible to receive vision or group term life insurance coverage. Employees who retire after age 55 with at least 25 years of service are covered by group term life insurance of \$30,000.

All benefits payments cease when the retiree reaches age 65. The amount of the monthly District-paid medical premiums must not exceed the District's cap at the time of retirement.

Employees Covered by Benefit Terms: The following is a table of plan participants at June 30, 2021:

	<u>Participants</u>
Inactive Plan Members, Covered Spouses, or Beneficiaries	
Currently Receiving Benefits	50
Active employees	<u>263</u>
	<u><u>313</u></u>

Contributions: California Government Code specifies that the District's contribution requirements for covered employees are established and may be amended by the District's Governing Board. Contributions to the Plan from the District were \$912,037 for the year ended June 30, 2021. Employees are not required to contribute to the OPEB plan.

(Continued)

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

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Total OPEB Liability: The District's total OPEB liability was measured as of June 30, 2020, and was determined by an actuarial valuation as of that date.

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

<u>Valuation Date</u>	June 30, 2020
<u>Actuarial Method</u>	Entry Age actuarial cost method has been used, with normal costs calculated as a level percentage of payroll.
<u>Discount Rate</u>	2.66%.
<u>Health Care Increases</u>	Medical insurance premiums are assumed to increase by 5.50%. Dental and vision premiums are assumed to increase by 4% per year.
<u>Mortality Rates</u>	Mortality rates are taken from the 2017 CalPERS OPEB Assumptions Model (for classified employees) and from the 2020 valuation of STRS (for certificated employees).
<u>Health Plan Coverage Elections</u>	100% of eligible employees are assumed to elect coverage upon retirement, and to remain covered under District plans until age 65. Eligible future retirees are assumed to choose medical plans in this manner: 80% are assumed to choose the Kaiser High plan, 10% are assumed to choose Anthem Blue Cross High plan, and 10% are assumed to choose the Anthem Blue Cross PPO. Employees who qualify for coverage of family members are assumed to be married to a spouse the same age.
<u>Medicare Coverage</u>	All current and future participating retirees and spouses will qualify for Medicare coverage and enroll in Parts A and B upon reaching age 65.
<u>Retirement Rates</u>	Retirement rates are taken from the most recent experience studies for CalPERS (2014) and CalSTRS (2016).
<u>Termination Rates</u>	Termination rates are taken from the most recent experience studies for CalPERS (2014) and CalSTRS (2016).

(Continued)

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

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Health Claims

Medical claims were estimated for year ended June 30, 2021. The age-specific rates were developed to reproduce the same aggregate premiums that would be paid to the carriers for all current employee and retirees.

<u>Age</u>	<u>Cost</u>
50	\$8,534
55	\$10,068
60	\$12,283
64	\$15,133

Inflation Rate

2.75% per year

District Cap

The District cap on claims is set at \$920.87 per month, and was assumed to stay at this level for future periods.

Salary Increases

3.00% per year

Discount Rate: Given the District's decision not to fund the program, all future benefit payments were discounted using a high quality municipal bond rate of 2.66%. The municipal bond rate was based on the week closest but not later than the measurement date of the S&P Municipal Bond 20 Year High Grade Rate Index as published by the Federal Reserve. To be eligible for the S&P Municipal Bond 20 Year High Grade Rate Index the bonds must be rated at least Moody's Investors Service's Aa2, AA by Standard & Poor's Corp.'s, or AA by Fitch Ratings.

Changes in Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at July 1, 2020	\$ 14,889,480
Changes for the year:	
Service cost	497,213
Interest	402,694
Changes of benefits provided	28,630
Differences between actual and expected experience	(265,353)
Changes in assumptions	455,461
Benefit payments	(912,037)
Net change	<u>206,608</u>
Balance at June 30, 2021	\$ <u>15,096,088</u>

Changes in assumptions include an update in the discount rate from 2.79% in the prior measurement, to 2.66% in the current measurement performed as of June 30, 2020. There were no changes in plan benefits or eligible members between the measurement date and the year ended June 30, 2021 which had a significant effect on the District's total OPEB liability.

(Continued)

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

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease <u>(1.66%)</u>	Current Discount Rate <u>(2.66%)</u>	1% Increase <u>(3.66%)</u>
Total OPEB liability	\$ 16,397,138	\$ 15,096,088	\$ 13,909,289

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the Total OPEB Liability of the District, as well as what the District's Total OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease <u>(4.50%)</u>	Healthcare Cost Trend Rates <u>(5.50%)</u>	1% Increase <u>(6.50%)</u>
Total OPEB liability	\$ 14,106,801	\$ 15,096,088	\$ 16,227,422

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$467,698. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 3,728,463
Changes of assumptions	696,487	418,633
Contributions made subsequent to measurement date	<u>854,921</u>	<u>-</u>
Total	\$ 1,551,408	\$ 4,147,096

\$854,921 reported as deferred outflows of resources related to contributions made subsequent to the measurement date will be recognized as a reduction of the total OPEB liability during the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows.

Year Ending June 30,	
2022	\$ (460,839)
2023	\$ (460,839)
2024	\$ (460,839)
2025	\$ (460,839)
2026	\$ (460,839)
Thereafter	\$ (1,146,414)

(Continued)

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

NOTE 10 - JOINT POWERS AGREEMENTS

The District is a member of the Protected Insurance Program for Schools (PIPS), Metropolitan Education (Metro Ed), Santa Clara County Schools Insurance Group (SCCSIG), East Valley Schools Transportation Agency (EVSTA), and South Bay Area Schools Insurance Authority (SBASIA) public entity risk pools. The District pays an annual premium to each entity for certain programs including health, worker's compensation, property and liability coverage, and transportation services based on the nature of the individual pool. The relationship between the District and these pools is such that they are not component units of the District for financial reporting purposes. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years. There have been no significant reductions in insurance coverage in the prior year.

Condensed financial information for the District's JPAs at June 30, 2020 (the latest information available) is provided below:

	<u>Metro Ed</u>	<u>SCCSIG</u>	<u>EVSTA</u>	<u>SBASIA</u>
Total assets	\$ 49,443,758	\$ 27,841,259	\$ 854,608	\$ 6,963,096
Total deferred outflows of resources	\$ 3,554,400	\$ 198,991	\$ -	\$ -
Total liabilities	\$ 18,658,460	\$ 7,913,788	\$ 528,843	\$ 5,096,301
Total deferred inflows of resources	\$ 2,701,357	\$ 67,496	\$ -	\$ -
Net position	\$ 31,638,341	\$ 20,058,966	\$ 325,765	\$ 1,866,795
Total revenues	\$ 19,106,486	\$ 38,337,622	\$ 733,003	\$ 5,240,861
Total expenditures	\$ 17,993,884	\$ 35,296,166	\$ 691,519	\$ 4,654,170
Change in net position	\$ 1,112,602	\$ 3,041,456	\$ 41,484	\$ 586,691

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The District is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not materially affect the financial position or results of operations of the District.

The District has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements of future revenue offsets subsequently determined will not have a material effect on the District's financial position or results of operations.

At June 30, 2021 the District had commitments for capital construction projects totaling approximately \$ 32.6 million.

NOTE 12 – SUBSEQUENT EVENT

On September 29, 2021, the District issued Election of 2018 General Obligation Bonds, Series B (2018 Series B) totaling \$150,000,000, including premiums totaling \$10,066,047. Proceeds from the issuance of the 2018 Series B Bonds will be used to construct or update District facilities as authorized by ballot Measure AA in the November 6, 2018 election. The 2018 Series B Bonds bear interest at rates ranging from 2.0% to 4.0% and are scheduled to mature through August 1, 2046.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 16,142,284	\$ 34,766,549	\$ 33,279,869	\$ (1,486,680)
Local sources	<u>71,866,810</u>	<u>60,187,815</u>	<u>64,438,594</u>	<u>4,250,779</u>
Total LCFF	<u>88,009,094</u>	<u>94,954,364</u>	<u>97,718,463</u>	<u>2,764,099</u>
Federal sources	4,320,873	8,740,898	8,654,608	(86,290)
Other state sources	8,997,776	14,383,459	17,230,187	2,846,728
Other local sources	<u>9,555,690</u>	<u>10,500,037</u>	<u>7,392,778</u>	<u>(3,107,259)</u>
Total revenues	<u>110,883,433</u>	<u>128,578,758</u>	<u>130,996,036</u>	<u>2,417,278</u>
Expenditures:				
Current:				
Certificated salaries	59,362,493	59,705,078	60,665,928	(960,850)
Classified salaries	17,136,657	17,189,404	17,847,059	(657,655)
Employee benefits	30,743,420	31,578,667	31,204,197	374,470
Books and supplies	3,675,043	10,086,168	5,927,294	4,158,874
Contract services and operating expenditures	10,325,675	9,984,767	8,973,836	1,010,931
Other outgo	6,166,882	6,026,665	5,614,608	412,057
Capital outlay	10,898	230,014	51,024	178,990
Debt service:				
Principal retirement	<u>24,331</u>	<u>24,331</u>	<u>24,331</u>	<u>-</u>
Total expenditures	<u>127,445,399</u>	<u>134,825,094</u>	<u>130,308,277</u>	<u>4,516,817</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(16,561,966)</u>	<u>(6,246,336)</u>	<u>687,759</u>	<u>6,934,095</u>
Other financing sources:				
Transfers in	<u>1,156,742</u>	<u>67,232</u>	<u>1,511,395</u>	<u>1,444,163</u>
Change in fund balance	(15,405,224)	(6,179,104)	2,199,154	8,378,258
Fund balance, July 1, 2020	<u>27,933,831</u>	<u>27,933,831</u>	<u>27,933,831</u>	<u>-</u>
Fund balance, June 30, 2021	<u>\$ 12,528,607</u>	<u>\$ 21,754,727</u>	<u>\$ 30,132,985</u>	<u>\$ 8,378,258</u>

See accompanying note to required supplementary information.

MILPITAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL
OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY
For the Year Ended June 30, 2021

	Last 10 Fiscal Years			
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total OPEB liability				
Service cost	\$ 771,833	\$ 734,924	\$ 465,308	\$ 497,213
Interest	514,785	584,240	425,645	402,694
Differences between actual and expected experience	-	(4,872,668)	-	(265,353)
Changes of benefits provided	-	-	-	28,630
Change in assumptions	(654,481)	168,097	213,053	455,461
Benefit payments	<u>(925,857)</u>	<u>(998,262)</u>	<u>(995,812)</u>	<u>(912,037)</u>
Net change in total OPEB liability	(293,720)	(4,383,669)	108,194	206,608
Total OPEB liability, beginning of year	<u>19,458,675</u>	<u>19,164,955</u>	<u>14,781,286</u>	<u>14,889,480</u>
Total OPEB liability, end of year	<u>\$ 19,164,955</u>	<u>\$ 14,781,286</u>	<u>\$ 14,889,480</u>	<u>\$ 15,096,088</u>
Covered employee payroll	\$ 71,141,497	\$ 30,802,822	\$ 31,097,499	\$ 32,106,440
Total OPEB liability as a percentage of covered-employee payroll	26.94%	47.99%	47.88%	47.02%

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively. The amounts presented for each fiscal year were determined as of the year end that occurred one year prior. All years prior to 2018 are not available.

See accompanying note to required supplementary information.

MILPITAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2021

	State Teachers' Retirement Plan Last 10 Fiscal Years						
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
District's proportion of the net pension	0.102%	0.101%	0.102%	0.098%	0.099%	0.101%	0.099%
District's proportionate share of the net net pension liability	\$ 59,605,740	\$ 68,248,000	\$ 82,329,000	\$ 90,172,000	\$ 91,390,000	\$ 91,520,000	\$ 95,687,000
State's proportionate share of the net pension liability associated with the the District	<u>35,915,000</u>	<u>36,096,000</u>	<u>46,873,000</u>	<u>53,345,000</u>	<u>52,325,000</u>	<u>49,931,000</u>	<u>52,292,000</u>
Total net pension liability	<u>\$ 95,520,740</u>	<u>\$ 104,344,000</u>	<u>\$ 129,202,000</u>	<u>\$ 143,517,000</u>	<u>\$ 143,715,000</u>	<u>\$ 141,451,000</u>	<u>\$ 147,979,000</u>
District's covered payroll	\$ 45,332,000	\$ 47,052,000	\$ 50,729,000	\$ 51,676,000	\$ 52,997,000	\$ 55,427,000	\$ 53,314,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	131.49%	145.05%	162.29%	174.49%	172.44%	165.12%	179.48%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%	70.99%	72.56%	71.82%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2021

	Public Employer's Retirement Fund B Last 10 Fiscal Years						
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
District's proportion of the net pension	0.118%	0.120%	0.122%	0.122%	0.125%	0.127%	0.129%
District's proportionate share of the net pension liability	\$ 13,361,816	\$ 17,745,000	\$ 24,185,000	\$ 29,220,000	\$ 33,406,000	\$ 37,118,000	\$ 39,569,000
District's covered payroll	\$ 12,350,000	\$ 13,328,000	\$ 14,691,000	\$ 15,606,000	\$ 16,689,000	\$ 17,738,000	\$ 18,576,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.19%	133.14%	164.62%	187.24%	200.17%	209.26%	213.01%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%	70.85%	70.05%	70.00%

The amounts presented for each fiscal year were determined as of the year-end that occurred one year prior.

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

MILPITAS UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
 For the Year Ended June 30, 2021

	State Teachers' Retirement Plan Last 10 Fiscal Years						
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Contractually required contribution	\$ 4,178,191	\$ 5,443,249	\$ 6,524,314	\$ 7,647,454	\$ 9,030,790	\$ 9,788,484	\$ 9,706,151
Contributions in relation to the contractually required contribution	<u>(4,178,191)</u>	<u>(5,443,249)</u>	<u>(6,524,314)</u>	<u>(7,647,454)</u>	<u>(9,030,790)</u>	<u>(9,788,484)</u>	<u>(9,706,151)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 47,052,000	\$ 50,729,000	\$ 51,676,000	\$ 52,997,000	\$ 55,427,000	\$ 53,314,000	\$ 50,818,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%	16.29%	17.10% *	16.15%**

* This rate reflects the original employer contribution rate of 18.13 percent under AB1469, reduced for the 1.03 percentage points to be paid on behalf of employers pursuant to SB 90.

** This rate reflects the original employer contribution rate of 19.10 percent under AB1469, reduced for the 2.95 percentage points to be paid on behalf of employers pursuant to SB 90.

All years prior to 2015 are not available.

(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2021

	Public Employer's Retirement Fund B Last 10 Fiscal Years						
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Contractually required contribution	\$ 1,568,810	\$ 1,740,455	\$ 2,168,914	\$ 2,591,913	\$ 3,203,838	\$ 3,665,947	\$ 3,949,433
Contributions in relation to the contractually required contribution	<u>(1,568,810)</u>	<u>(1,740,455)</u>	<u>(2,168,914)</u>	<u>(2,591,913)</u>	<u>(3,203,838)</u>	<u>(3,665,947)</u>	<u>(3,949,433)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 13,328,000	\$ 14,691,000	\$ 15,606,000	\$ 16,689,000	\$ 17,738,000	\$ 18,576,000	\$ 19,079,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%	18.06%	19.72%	20.70%

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

MILPITAS UNIFIED SCHOOL DISTRICT
 NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
 For the Year Ended June 30, 2021

NOTE 1 - PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule: The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Education to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund and Adult Education Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

B - Schedule of Changes in Total Other Postemployment Benefits (OPEB) liability: The Schedule of Changes in Total OPEB liability is presented to illustrate the elements of the District's total OPEB liability. There is a requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District will present information for those years for which information is available. The District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's total OPEB liability.

C - Schedule of the District's Proportionate Share of the Net Pension Liability : The Schedule of the District's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

D - Schedule of the District's Contributions: The Schedule of the District's Contributions is presented to illustrate the District's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

E - Changes of Benefit Terms: There are no changes in benefit terms reported in the Required Supplementary Information.

F - Changes of Assumptions: The discount rates used for the total OPEB liability was 2.98, 2.79 and 2.66 percent as of the June 30, 2018, 2019 and 2020 measurement periods, respectively.

The discount rates used for the Public Employer's Retirement Fund B (PERF B) was 7.50, 7.65, 7.65, 7.15, 7.15, 7.15, and 7.15 percent in the June 30, 2013, 2014, 2015, 2016, 2017, 2018 and 2019 actuarial reports, respectively.

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

<u>Assumption</u>	<u>Measurement Period</u>					
	As of June 30, <u>2020</u>	As of June 30, <u>2019</u>	As of June 30, <u>2018</u>	As of June 30, <u>2017</u>	As of June 30, <u>2016</u>	As of June 30, <u>2015</u>
Consumer price inflation	2.75%	2.75%	2.75%	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.10%	7.10%	7.10%	7.60%	7.60%
Wage growth	3.50%	3.50%	3.50%	3.50%	3.75%	3.75%

SUPPLEMENTARY INFORMATION

MILPITAS UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 ALL NON-MAJOR FUNDS
 June 30, 2021

	Student Activity Fund	Adult Education Fund	Child Develop- ment Fund	Cafeteria Fund	Deferred Mainten- ance Fund	Capital Facilities Fund	Total
ASSETS							
Cash in County Treasury	\$ -	\$ 105,866	\$ 322,244	\$ 374,758	\$ 73,614	\$ 6,067,421	\$ 6,943,903
Cash on hand and in banks	203,222	-	-	-	-	-	203,222
Cash in revolving fund	-	-	-	4,088	-	-	4,088
Receivables	-	2,902,967	14,934	500,100	345	10,731	3,429,077
Due from other funds	-	-	-	-	150,000	-	150,000
Stores inventory	-	-	-	72,303	-	-	72,303
Prepaid expenditures	-	-	-	-	-	3,151	3,151
Total assets	\$ 203,222	\$ 3,008,833	\$ 337,178	\$ 951,249	\$ 223,959	\$ 6,081,303	\$ 10,805,744
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ -	\$ 38,079	\$ 102,904	\$ 92,246	\$ 12,837	\$ 1,075	\$ 247,141
Due to other funds	-	707,443	494	-	100,000	-	807,937
Total liabilities	-	745,522	103,398	92,246	112,837	1,075	1,055,078
Fund balances:							
Nonspendable	-	-	-	76,391	-	3,151	79,542
Restricted	203,222	2,263,311	233,780	782,612	111,122	6,077,077	9,671,124
Total fund balance	203,222	2,263,311	233,780	859,003	111,122	6,080,228	9,750,666
Total liabilities and fund balances	\$ 203,222	\$ 3,008,833	\$ 337,178	\$ 951,249	\$ 223,959	\$ 6,081,303	\$ 10,805,744

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

	Student Activity Fund	Adult Education Fund	Child Develop- ment Fund	Cafeteria Fund	Deferred Mainten- ance Fund	Capital Facilities Fund	Total
Revenues:							
Federal sources	\$ -	\$ 459,137	\$ 316,419	\$ 3,696,014	\$ -	\$ -	\$ 4,471,570
Other state sources	-	2,856,517	1,220,209	310,620	-	-	4,387,346
Other local sources	75,809	3,414	291,437	45,566	1,624	817,859	1,235,709
Total revenues	<u>75,809</u>	<u>3,319,068</u>	<u>1,828,065</u>	<u>4,052,200</u>	<u>1,624</u>	<u>817,859</u>	<u>10,094,625</u>
Expenditures:							
Current:							
Certificated salaries	-	862,098	610,679	-	-	-	1,472,777
Classified salaries	-	403,915	520,646	1,610,523	-	23,389	2,558,473
Employee benefits	-	501,996	492,054	851,751	-	10,382	1,856,183
Books and supplies	92,619	30,983	13,896	989,025	37,074	-	1,163,597
Contract services and operating expenditures	-	30,128	53,421	42,370	257,839	36,646	420,404
Capital outlay	-	-	-	94,722	165,149	-	259,871
Total expenditures	<u>92,619</u>	<u>1,829,120</u>	<u>1,690,696</u>	<u>3,588,391</u>	<u>460,062</u>	<u>70,417</u>	<u>7,731,305</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(16,810)</u>	<u>1,489,948</u>	<u>137,369</u>	<u>463,809</u>	<u>(458,438)</u>	<u>747,442</u>	<u>2,363,320</u>
Other financing (uses) sources:							
Transfers in	-	-	-	-	450,000	-	450,000
Transfers out	-	(61,395)	-	-	-	-	(61,395)
Total other financing (uses) sources	-	<u>(61,395)</u>	-	-	<u>450,000</u>	-	<u>388,605</u>
Net change in fund balances	(16,810)	1,428,553	137,369	463,809	(8,438)	747,442	2,751,925
Fund balance, July 1, 2020	-	834,758	96,411	395,194	119,560	5,332,786	6,778,709
Cumulative effect of GASB 84 implementation	220,032	-	-	-	-	-	220,032
Fund balance, July 1, 2020, as restated	<u>220,032</u>	<u>834,758</u>	<u>96,411</u>	<u>395,194</u>	<u>119,560</u>	<u>5,332,786</u>	<u>6,998,741</u>
Fund balance, June 30, 2021	<u>\$ 203,222</u>	<u>\$ 2,263,311</u>	<u>\$ 233,780</u>	<u>\$ 859,003</u>	<u>\$ 111,122</u>	<u>\$ 6,080,228</u>	<u>\$ 9,750,666</u>

MILPITAS UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2021

Milpitas Unified School District was organized in 1968 and operates 9 elementary schools, 2 middle schools, 1 comprehensive high school, an adult education program, a continuation high school, two childcare centers and a community day school. There were no changes in District boundaries during the year.

The Board of Education at June 30, 2021 was comprised of the following members:

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Chris Norwood	President	2022
Kelly Yip-Chuan	Vice President	2022
Hon Lien	Board Clerk	2024
Michael Tsai	Trustee	2022
Hai Minh Ngo	Trustee	2024

ADMINISTRATION

Cheryl Jordan
Superintendent

Jonathon Brunson
Assistant Superintendent, Human Relations

Norma Rodriguez
Assistant Superintendent, Learning & Development

Wendy Zhang
Assistant Superintendent, Business Services

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

<u>Grade Level</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	180	In Compliance
Grade 1	180	In Compliance
Grade 2	180	In Compliance
Grade 3	180	In Compliance
Grade 4	180	In Compliance
Grade 5	180	In Compliance
Grade 6	180	In Compliance
Grade 7	180	In Compliance
Grade 8	180	In Compliance
Grade 9	180	In Compliance
Grade 10	180	In Compliance
Grade 11	180	In Compliance
Grade 12	180	In Compliance

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

Assistance Listing Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expend- itures
<u>U.S. Department of Education - Passed through</u>			
<u>California Department of Education</u>			
Special Education Cluster:			
84.027	Special Ed: IDEA Basic Local Assistance Entitlement	13379	\$ 1,688,392
84.027A	Special Ed: IDEA Mental Health Services, Part B	14468	106,374
84.173	Special Ed: IDEA Preschool Grants, Part B, Section 611	13430	47,635
84.027	Special Ed: IDEA Local Assistance, Privat Schools ISPs	10115	10,109
84.173A	Special Ed: IDEA Preschool Staff Development, Part B	13431	422
84.173A	Special Ed: Alternate Dispute Resolution, Part B, Sec 611	13007	6,991
Subtotal Special Education Cluster			1,859,923
Adult Education Programs:			
84.002	Adult Education: Adult Secondary Education	13978	22,504
84.002A	Adult Education: Adult Basic Education & ESL	14508	178,860
84.002	Adult Education: Institutionalized Adults	13971	206,225
84.002	Adult Education: English Literacy & Civics Education	14750	51,548
Subtotal Adult Education Programs			459,137
Title I Programs:			
84.010	ESEA: Title I, Part A, Basic Grants Low-Income and Neglected	14329	703,775
84.010	ESEA: School Improvement funding for LEAs	15438	133,907
Subtotal Title I Programs			837,682
Title III Programs:			
84.365	ESEA: Immigrant Student Program	15146	14,221
84.365	ESEA: Title III, English Learner Student Program	14346	322,304
Subtotal Title III Programs			336,525
ESF Programs:			
84.425	COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund	15536	159,171
84.425	COVID-19: Elementary and Secondary School Emergency Relief II (ESSER II) Fund	15547	237,805
84.425C	COVID-19: Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	15517	105,573
84.425	COVID-19: Child Nutrition: COVID CARES Act Supplemental Meal Reimbursement	15535	349,020
Subtotal ESF Programs			851,569

(Continued)

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

Assistance Listing Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expend- itures
<u>U.S. Department of Education - Passed through</u>			
<u>California Department of Education (continued)</u>			
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	\$ 45,621
84.126	Department of Rehabilitation: Workability II, Transitions Partnership Program	10006	176,700
84.424	ESEA: Title IV, Part A, Student Support and Academic Enrichment Grants	15396	34,501
84.367	ESEA: Title II, Part A, Supporting Effective instruction Local Grants	14341	<u>174,153</u>
Total U.S. Department of Education			<u>4,775,811</u>
<u>U.S. Department of Agriculture - Passed through California Department</u>			
<u>of Education</u>			
Child Nutrition Cluster:			
10.555	Child Nutrition: School Programs	13390	3,343,394
10.579	Child Nutrition: NSLP Equipment Assistance Grants	14906	<u>3,600</u>
Total U.S. Department of Agriculture			<u>3,346,994</u>
<u>U.S. Department of Health and Human Services - Passed through</u>			
<u>California Department of Education</u>			
Medicaid Cluster:			
93.778	MediCal Billing Option	10013	92,895
CCDF Cluster:			
93.575	Child Development: Federal Child Care, Center Based	15136	<u>259,089</u>
Total U.S. Department of Health and Human Services			<u>351,984</u>
<u>U.S. Department of the Treasury</u>			
<u>Passed through California Department of Education</u>			
21.019	COVID-19: Coronavirus Relief Fund: Learning Loss Mitigation	25516	<u>4,343,190</u>
<u>U.S. Department of Defense - Passed through</u>			
<u>California Department of Education</u>			
12.235	Navy Junior ROTC	N/A	<u>67,096</u>
Total Federal Programs			<u>\$ 12,885,075</u>

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

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

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

	(Budget) <u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 132,180,847	\$ 132,507,431	\$ 123,452,146	\$ 125,325,331
Expenditures	136,919,936	130,308,277	127,808,061	124,644,938
Other uses and transfers out	<u>59,000</u>	<u>-</u>	<u>59,000</u>	<u>39,000</u>
Total outgo	<u>136,978,936</u>	<u>130,308,277</u>	<u>127,867,061</u>	<u>124,683,938</u>
Change in fund balance	<u>\$ (4,798,089)</u>	<u>\$ 2,199,154</u>	<u>\$ (4,414,915)</u>	<u>\$ 641,393</u>
Ending fund balance	<u>\$ 25,334,896</u>	<u>\$ 30,132,985</u>	<u>\$ 27,933,831</u>	<u>\$ 32,348,746</u>
Available reserves	<u>\$ 18,502,910</u>	<u>\$ 21,294,767</u>	<u>\$ 22,214,457</u>	<u>\$ 25,437,308</u>
Designated for economic uncertainties	<u>\$ 18,502,910</u>	<u>\$ 20,411,861</u>	<u>\$ 20,187,355</u>	<u>\$ 25,437,308</u>
Undesignated fund balance	<u>\$ -</u>	<u>\$ 882,906</u>	<u>\$ 2,027,102</u>	<u>\$ -</u>
Available reserves as percentages of total outgo	<u>13.5%</u>	<u>16.3%</u>	<u>17.4%</u>	<u>20.4%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 456,739,694</u>	<u>\$ 325,444,357</u>	<u>\$ 335,308,058</u>	<u>\$ 337,661,343</u>
Average daily attendance at P-2, excluding Adult Education	<u>10,065</u>	<u>9,989</u>	<u>9,989</u>	<u>9,930</u>

The fund balance in the General Fund has decreased by \$1,574,368 over the past three years. The fiscal year 2021-2022 budget projects a decrease of \$4,798,089. For a district this size, the State of California recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses. For the year ended June 30, 2021, the District has met this requirement.

The District has incurred operating surpluses in two of the past three years; however, anticipates incurring an operating deficit during the fiscal year ending June 30, 2022.

Total long-term liabilities have decreased by \$12,216,986 over the past two years.

Average daily attendance has increased by 59 over the past two years. The District anticipates an increase of 76 ADA for the 2021-2022 fiscal year.

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

Charter Schools Chartered by District

There are no charter schools in the District.

Included in District
Financial Statements, or
Separate Report

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

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Instructional Time: The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District, and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

B - Schedule of Expenditure of Federal Awards: The Schedule of Expenditure of Federal Awards includes the federal award activity of Milpitas Unified School District presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed in the Uniform Guidance.

C - Reconciliation of Unaudited Actual Financial Report with Audited Financial Statement: This schedule provides the information necessary to reconcile the Unaudited Actual Financial Report to the audited financial statements.

D - Schedule of Financial Trends and Analysis – Unaudited: This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2021-2022 fiscal year, as required by the State Controller's Office.

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

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 required certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2021, the District did not adopt such a program

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Education
Milpitas Unified School District
Milpitas, California

Report on Compliance with State Laws and Regulations

We have audited Milpitas Unified School District's compliance with the types of compliance requirements described in the State of California's *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to the state laws and regulations listed below for the year ended June 30, 2021.

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

(Continued)

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

We did not perform any procedures related to Apprenticeship: Related and Supplemental Instruction, because the District did not operate this program during the audit year.

We did not perform any procedures related to District of Choice because the District is not reported as a District of Choice by the California Department of Education.

We did not perform any procedures related to Charter schools because the District did not include any charter schools in this report.

Management's Responsibility

Management is responsible for compliance with the requirements of state laws and regulations, as listed above.

Auditor's Responsibility

Our responsibility is to express an opinion on Milpitas Unified School District's compliance with state laws and regulations as listed above, based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Milpitas Unified School District's compliance with the state laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about Milpitas Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations. However, our audit does not provide a legal determination of Milpitas Unified School District's compliance.

Opinion on Compliance with State Laws and Regulations

In our opinion, Milpitas Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2021.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Sacramento, California
January 27, 2022

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Education
Milpitas Unified School District
Milpitas, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Milpitas Unified School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Milpitas Unified School District's basic financial statements, and have issued our report thereon dated January 27, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Milpitas 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 Milpitas Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Milpitas Unified School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

Compliance and Other Matters

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

Purpose of this Report

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

Crowe LLP

Crowe LLP

Sacramento, California
January 27, 2022

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

Board of Education
Milpitas Unified School District
Milpitas, California

Report on Compliance for Each Major Federal Program

We have audited Milpitas 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 Milpitas Unified School District's major federal programs for the year ended June 30, 2021. Milpitas 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 Milpitas 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 Milpitas 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 Milpitas Unified School District's compliance.

Opinion on Each Major Federal Program

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

(Continued)

Report on Internal Control Over Compliance

Management of Milpitas 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 Milpitas 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 Milpitas Unified School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Crowe LLP
Crowe LLP

Sacramento, California
January 27, 2022

FINDINGS AND RECOMMENDATIONS

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

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____	Yes	_____ X _____	No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____	Yes	_____ X _____	None reported

Noncompliance material to financial statements noted?

	_____	Yes	_____ X _____	No
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FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified?	_____	Yes	_____ X _____	No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____	Yes	_____ X _____	None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

	_____	Yes	_____ X _____	No
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Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

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

STATE AWARDS

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

(Continued)

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

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

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

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

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

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

MILPITAS UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2021

No matters were reported.