

MILPITAS UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2022

MILPITAS UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2022
(Continued)

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MILPITAS UNIFIED SCHOOL DISTRICT

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WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Milpitas Unified School District
Milpitas, California

Report on the Audit of the Financial Statements***Opinions***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Milpitas Unified School District, as of and for the year ended June 30, 2022, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Milpitas Unified School District, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

(Continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 9 and 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 49 to 54 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

(Continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Milpitas Unified School District's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and, except for that portion marked "unaudited," was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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
December 12, 2022

MILPITAS UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2022

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, 2022. 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 from (\$3.51) million to \$32 million compared to last year mainly due to one-time capital grant revenue and increase in federal and state aid.
- Total governmental revenues were \$194.8 million, \$24 million more than previous year primarily due to increase in LCFF and program grant revenues.
- The District's combined fund balances were at \$237.6 million, which increased by \$138.7 million, primarily due to the issuance of additional Election of 2018, Series B General Obligation Bonds.
- In August 2021, the District received \$16.5 million of State School Facilities grant for the construction of our latest elementary school – Mabel Mattos Elementary. The property was purchased in September 2016 for \$21 million. Mabel Mattos Elementary opened for instructions in school year 2018-19.
- State revenue remained strong after the pandemic. The State Governor increased the cost-of-living adjustment for the Local Control Funding Formula (LCFF) from 0% in 2020-21 to 5.07% in 2021-22. In addition, both the federal and state government provided one-time COVID relief funding to assist schools resuming in-person instructions and mitigate learning loss due to the pandemic. As a result, there was a significant increase of federal and state aid in the current year.

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, 2022

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.

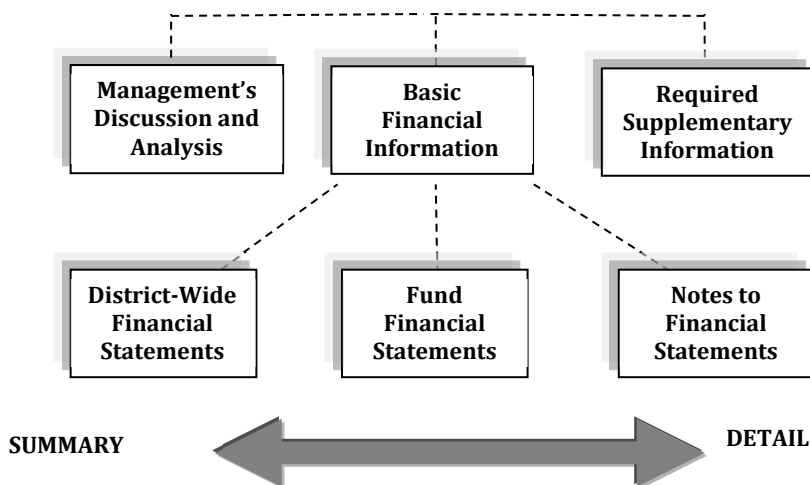


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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, 2022

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, 2022

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was higher on June 30, 2022, than it was the year before – increased from (\$3.5) million to \$32 million (See Table A-1).

Table A-1

	Governmental Activities		Variance Increase (Decrease)
	2022	2021	
Current assets	\$258,758,455	\$ 115,556,007	\$143,202,448
Capital assets	231,137,324	201,138,228	29,999,096
Total assets	489,895,779	316,694,235	173,201,544
Total deferred outflows	29,442,083	34,271,704	(4,829,621)
Current liabilities	12,708,454	18,837,098	(6,128,644)
Long-term liabilities	403,261,120	325,444,357	77,816,763
Total liabilities	415,969,574	344,281,455	71,688,119
Total deferred inflows	71,301,956	10,195,096	61,106,860
Net position			
Net investment in capital assets	87,041,634	67,664,975	19,376,659
Restricted	42,952,954	32,856,865	10,096,089
Unrestricted	(97,928,256)	(104,032,452)	6,104,196
Total net position	\$32,066,332	\$ (3,510,612)	\$35,576,944

- **Changes in net position, governmental activities.** The District's total revenues increased 14.6% to \$194.8 million (See Table A-2). \$24.8 million more than previous year due to increase in program grant funding.

The total cost of all programs and services decreased slightly (.05%) to \$159.2 million. The District's expenses are predominantly related to educating and caring for students, 75.4%. The administrative activities of the District accounted for 4.6% of total costs.

Table A-2

	Governmental Activities		Variance Increase (Decrease)
	2022	2021	
Total Revenues	\$194,876,928	\$ 170,067,900	\$24,809,028
Total Expenses	159,299,984	159,371,934	(71,950)
Increase in net position	\$35,576,944	\$10,695,966	\$24,880,978

MILPITAS UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2022

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 \$237.6 million, which increased by \$138.7 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 \$9.4 million primarily to reflect increase in federal and state revenues.
- Salaries and benefits costs – increased \$7 million primarily to reflect negotiated salary and benefit increases.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by approximately \$11.2 million (before transfers in/out), the actual result for the year shows that expenditures exceeded revenues by \$3 million. Actual revenues received were \$1.6 million more than anticipated, and expenditures were \$6.6 million less than budgeted. That amount consists primarily of categorical (unrestricted and restricted) program dollars that were not spent as of June 30, 2022 that will be carried over into the 2022-23 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2021-22 the District had invested \$39.3 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 5 to the financial statements). Total depreciation expense for the year exceeded \$9.3 million.

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

	Governmental Activities		Variance Increase (Decrease)
	2022	2021	
Land	\$22,771,808	\$22,771,808	\$0
Building and improvements	103,982,538	111,849,351	(7,866,813)
Furniture and equipment	13,234,495	14,619,494	(1,384,999)
Construction in progress	91,148,483	51,897,575	39,250,908
Total	\$231,137,324	\$201,138,228	\$29,999,096

MILPITAS UNIFIED SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2022

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end the District had \$403.2 million in general obligation bonds, certificates of participation, and other long-term liabilities, as well as other long-term employee related obligations – an increase of approximately \$77.8 million – as shown in Table A-4. (More detailed information about the District's long-term liabilities is presented in Note 6 to the financial statements).

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

	Governmental Activities		Variance Increase (Decrease)
	2022	2021	
General obligation bonds	\$288,105,000	\$154,160,000	\$133,945,000
Unamortized premiums	18,081,075	8,948,484	9,132,591
Certificates of participation	10,189,084	11,177,780	(988,696)
Other postemployment benefits	15,838,211	15,096,088	742,123
Net pension liability	69,970,000	135,256,000	(65,286,000)
Compensated absences	1,077,750	806,005	271,745
Total	403,261,120	325,444,357	\$77,816,763

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, 2022

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 233,769,556
Receivables	12,140,758
Lease receivable (Note 4)	12,145,008
Prepaid expenses	349,158
Stores inventory	353,975
Non-depreciable capital assets (Note 5)	113,920,291
Depreciable capital assets, net of accumulated depreciation (Note 5)	<u>117,217,033</u>
Total assets	<u>489,895,779</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions (Notes 8 and 9)	25,967,175
Deferred outflows of resources - OPEB (Note 10)	1,923,171
Deferred loss from refunding of debt	<u>1,551,737</u>
Total deferred outflows	<u>29,442,083</u>
LIABILITIES	
Accounts payable	10,456,187
Unearned revenue	2,252,267
Long-term liabilities (Note 6):	
Due within one year	19,847,032
Due after one year	<u>383,414,088</u>
Total liabilities	<u>415,969,574</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 8 and 9)	55,559,000
Deferred inflows of resources - leases (Note 4)	12,145,008
Deferred inflows of resources - OPEB (Note 10)	<u>3,597,948</u>
Total deferred inflows	<u>71,301,956</u>
NET POSITION	
Net investment in capital assets	87,041,634
Restricted:	
Legally restricted programs	8,787,478
Capital projects	6,535,631
Debt service	27,629,845
Unrestricted	<u>(97,928,256)</u>
Total net position	<u>\$ 32,066,332</u>

See accompanying notes to financial statements.

MILPITAS UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

		Program Revenues			Net (Expense) Revenues and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction	\$ 90,319,403	\$ 10,437	\$ 20,855,145	\$ 16,573,033	\$ (52,880,788)
Instruction-related services:					
Supervision on instruction	5,229,618	3,444	2,162,727	-	(3,063,447)
Instructional library, media and technology	140,538	-	7,983	-	(132,555)
School site administration	10,621,626	6,696	2,798,447	-	(7,816,483)
Pupil services:					
Home-to-school transportation	1,153,218	-	-	-	(1,153,218)
Food services	4,589,576	604	5,572,357	-	983,385
All other pupil services	8,102,545	-	3,044,162	-	(5,058,383)
General administration:					
Data processing	1,552,912	-	6,409	-	(1,546,503)
All other general administration	5,744,882	291	2,590,693	-	(3,153,898)
Plant services	18,172,474	34,947	2,092,611	-	(16,044,916)
Ancillary services	618,488	-	292,494	-	(325,994)
Other outgo	5,602,397	2,151,777	1,771,819	-	(1,678,801)
Interest on long-term liabilities	7,452,307	-	-	-	(7,452,307)
Total governmental activities	<u>\$ 159,299,984</u>	<u>\$ 2,208,196</u>	<u>\$ 41,194,847</u>	<u>\$ 16,573,033</u>	<u>(99,323,908)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					61,971,276
Taxes levied for debt service					20,232,978
Taxes levied for other specific purposes					7,555,295
Federal and state aid not restricted to specific purposes					42,953,072
Interest and investment earnings					331,570
Miscellaneous					<u>1,856,661</u>
Total general revenues					<u>134,900,852</u>
Change in net position					35,576,944
Net position, July 1, 2021					<u>(3,510,612)</u>
Net position, June 30, 2022					<u>\$ 32,066,332</u>

See accompanying notes to financial statements.

MILPITAS UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and investments:					
Cash in County Treasury	\$ 24,920,858	\$ 171,377,624	\$ 27,579,461	\$ 9,465,165	\$ 233,343,108
Cash on hand and in banks	169,655	-	-	235,705	405,360
Cash in revolving fund	15,000	-	-	4,088	19,088
Collections awaiting deposit	2,000	-	-	-	2,000
Receivables	9,242,947	1,435,768	50,384	1,411,659	12,140,758
Lease receivable	67,618	12,077,390	-	-	12,145,008
Due from other funds	30,211	141,246	-	2,566	174,023
Stores inventory	258,701	-	-	95,274	353,975
Prepaid expenditures	338,413	9,238	-	1,507	349,158
	<u>338,413</u>	<u>9,238</u>	<u>-</u>	<u>1,507</u>	<u>349,158</u>
Total assets	<u>\$ 35,045,403</u>	<u>\$ 185,041,266</u>	<u>\$ 27,629,845</u>	<u>\$ 11,215,964</u>	<u>\$ 258,932,478</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 4,211,064	\$ 2,205,933	\$ -	\$ 291,557	\$ 6,708,554
Unearned revenue	2,252,267	-	-	-	2,252,267
Due to other funds	2,289	30,211	-	141,523	174,023
	<u>2,289</u>	<u>30,211</u>	<u>-</u>	<u>141,523</u>	<u>174,023</u>
Total liabilities	<u>6,465,620</u>	<u>2,236,144</u>	<u>-</u>	<u>433,080</u>	<u>9,134,844</u>
Deferred inflows of resources - leases	67,618	12,077,390	-	-	12,145,008
	<u>67,618</u>	<u>12,077,390</u>	<u>-</u>	<u>-</u>	<u>12,145,008</u>
Fund balances:					
Nonspendable	612,114	9,238	-	100,869	722,221
Restricted	4,583,875	170,718,494	27,629,845	10,682,015	213,614,229
Committed	17,145,294	-	-	-	17,145,294
Assigned	1,812,227	-	-	-	1,812,227
Unassigned	4,358,655	-	-	-	4,358,655
	<u>4,358,655</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,358,655</u>
Total fund balances	<u>28,512,165</u>	<u>170,727,732</u>	<u>27,629,845</u>	<u>10,782,884</u>	<u>237,652,626</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 35,045,403</u>	<u>\$ 185,041,266</u>	<u>\$ 27,629,845</u>	<u>\$ 11,215,964</u>	<u>\$ 258,932,478</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, 2022

Total fund balances - Governmental Funds \$ 237,652,626

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 \$383,899,636 and the accumulated depreciation is \$152,762,312 (Note 5). 231,137,324

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. (3,747,633)

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, 2022 consisted of (Note 6):

General Obligation Bonds	\$ (288,105,000)	
Unamortized premiums	(18,081,075)	
Certificates of Participation	(10,189,084)	
Total OPEB liability (Note 10)	(15,838,211)	
Net pension liability (Notes 8 and 9)	(69,970,000)	
Compensated absences	<u>(1,077,750)</u>	(403,261,120)

Losses on refundings of debt are categorized as deferred outflows and are amortized over the life of the related debt. 1,551,737

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	25,967,175	
Deferred inflows of resources relating to pensions	<u>(55,559,000)</u>	<u>(29,591,825)</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	1,923,171	
Deferred inflows of resources relating to OPEB	<u>(3,597,948)</u>	<u>(1,674,777)</u>

Total net position - governmental activities \$ 32,066,332

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, 2022

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:					
Local Control Funding Formula (LCFF):					
State apportionment	\$ 40,562,366	\$ -	\$ -	\$ -	\$ 40,562,366
Local sources	61,968,646	-	-	-	61,968,646
Total LCFF	<u>102,531,012</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,531,012</u>
Federal sources	10,041,143	-	-	5,859,984	15,901,127
Other state sources	17,598,656	-	61,248	19,719,163	37,379,067
Other local sources	11,436,332	8,667,153	20,291,209	1,365,060	41,759,754
Total revenues	<u>141,607,143</u>	<u>8,667,153</u>	<u>20,352,457</u>	<u>26,944,207</u>	<u>197,570,960</u>
Expenditures:					
Current:					
Certificated salaries	65,668,012	-	-	1,796,087	67,464,099
Classified salaries	19,269,105	695,797	-	2,741,098	22,706,000
Employee benefits	35,403,647	339,681	-	2,096,269	37,839,597
Books and supplies	7,997,530	500,873	-	2,282,275	10,780,678
Contract services and operating expenditures	10,705,721	2,387,704	-	505,579	13,599,004
Other outgo	5,602,397	-	-	-	5,602,397
Capital outlay	32,210	36,663,929	-	223,493	36,919,632
Debt service:					
Principal retirement	-	988,696	16,055,000	-	17,043,696
Interest	-	323,569	6,614,938	-	6,938,507
Total expenditures	<u>144,678,622</u>	<u>41,900,249</u>	<u>22,669,938</u>	<u>9,644,801</u>	<u>218,893,610</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(3,071,479)</u>	<u>(33,233,096)</u>	<u>(2,317,481)</u>	<u>17,299,406</u>	<u>(21,322,650)</u>
Other financing sources (uses):					
Transfers in	1,509,659	16,666,529	-	459,000	18,635,188
Transfers out	(59,000)	(1,850,000)	-	(16,726,188)	(18,635,188)
Proceeds from issuance of G.O. Bonds	-	150,000,000	-	-	150,000,000
Debt issuance premiums	-	-	10,066,047	-	10,066,047
Total other financing sources (uses)	<u>1,450,659</u>	<u>164,816,529</u>	<u>10,066,047</u>	<u>(16,267,188)</u>	<u>160,066,047</u>
Change in fund balances	(1,620,820)	131,583,433	7,748,566	1,032,218	138,743,397
Fund balances, July 1, 2021	<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>
Fund balances, June 30, 2022	<u>\$ 28,512,165</u>	<u>\$ 170,727,732</u>	<u>\$ 27,629,845</u>	<u>\$ 10,782,884</u>	<u>\$ 237,652,626</u>

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, 2022

Net change in fund balances - Total Governmental Funds	\$ 138,743,397
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 5).	39,366,211
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 5).	(9,367,115)
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 6):	(150,000,000)
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 6).	17,043,696
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 6).	(9,132,591)
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.	(116,975)
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.	(1,557,314)
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:	10,690,592

(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, 2022

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:	\$ 178,788
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 6).	<u>(271,745)</u>
Change in net position of governmental activities	<u>\$ 35,576,944</u>

See accompanying notes to financial statements.

MILPITAS UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUND
June 30, 2022

	Scholarship <u>Trust</u>
ASSETS	
Cash on hand and in bank (Note 2)	\$ <u>221,991</u>
NET POSITION	
Restricted - scholarships	\$ <u><u>221,991</u></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, 2022

	Scholarship <u>Trust</u>
Additions:	
Local sources	\$ <u>102,319</u>
Deductions:	
Contract services and operating expenditures	<u>127,804</u>
Change in net position	(25,485)
Net position, July 1, 2021	<u>247,476</u>
Net position, June 30, 2022	<u>\$ 221,991</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 classification includes the Student Activity, Adult Education, Child Development, Cafeteria, and Deferred Maintenance Funds.

Capital Projects Funds - The capital projects funds are used to account for resources used for the construction of capital facilities by the District. This classification includes the Capital Facilities and County School Facilities Funds.

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, 2022

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, 2022.

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.

Leases: From time to time, the District may enter into agreements as a lessee for leases of equipment for District use. Upon entering into a lease agreement as lessee, the District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual total liability of \$50,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Lease assets are reported with other capital assets and lease liabilities are reported with long-term liabilities on the statement of net position. As of June 30, 2022, the District's lessee agreements are insignificant and no lease liability or lease asset has been recognized in the government-wide financial statements.

The District also acts a lessor for leases of District property. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Compensated Absences: Compensated absences totaling \$1,077,750 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.

(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, leases, and the total OPEB liability.

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	<u>\$ 18,647,009</u>	<u>\$ 7,320,166</u>	<u>\$ 25,967,175</u>
Deferred inflows of resources	<u>\$ 44,867,000</u>	<u>\$ 10,692,000</u>	<u>\$ 55,559,000</u>
Net pension liability	<u>\$ 42,281,000</u>	<u>\$ 27,689,000</u>	<u>\$ 69,970,000</u>
Pension expense	<u>\$ 5,865,052</u>	<u>\$ 3,685,433</u>	<u>\$ 9,550,485</u>

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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriable for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represents 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, stores 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.

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.

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, 2022 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.

(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2022, 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.

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 June 2017, the GASB issued GASB Statement No. 87, *Leases*. GASB Statement No. 87 requires the recognition of certain assets and liabilities for leases which were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under Statement No. 87, a lease obligation is required to be recognized as a lease liability with a corresponding intangible right-to-use lease asset. In addition, a lessor is required to recognize a lease receivable and corresponding deferred inflow of resources. This statement was originally effective for fiscal years beginning after December 15, 2019, but due to the adoption of GASB Statement No. 95, the implementation date was extended to reporting periods beginning after June 15, 2021. Based on the implementation of GASB Statement No. 87, the District's July 1, 2021 total assets and deferred inflows each increased by \$12,145,008. However, the District's net position, capital assets and long-term liabilities were not restated.

(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2022 are reported at fair value and consisted of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Fund</u>
Pooled Funds:		
Cash in County Treasury	\$ 233,343,108	\$ -
Collections awaiting deposit	2,000	-
Deposits:		
Cash on hand and in banks	405,360	221,991
Cash in revolving fund	19,088	-
Total cash and investments	<u>\$ 233,769,556</u>	<u>\$ 221,991</u>

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, 2022, 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, 2022, the carrying amount and bank balances of the District's accounts totaled \$678,758 and \$535,702, respectively. At June 30, 2022, bank balances remained fully insured.

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, 2022, 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, 2022, the District had no concentration of credit risk.

(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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, 2022 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 30,211	\$ 2,289
Building	141,246	30,211
Non-Major Funds:		
Adult Education	2,289	-
Child Development	-	277
Cafeteria	277	-
Deferred maintenance	-	100,000
County School Facilities	-	41,246
	<u> </u>	<u> </u>
Totals	<u>\$ 174,023</u>	<u>\$ 174,023</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 2021-2022 fiscal year were as follows:

Transfer from the Adult Education Fund to the General Fund for indirect costs support.	\$ 59,659
Transfer from the General Fund to the Adult Education Fund to provide operational support.	59,000
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.	400,000
Transfer from the County School Facilities to the Deferred Maintenance Fund for State School Facility Grant reimbursement.	<u>16,666,529</u>
	<u>\$ 18,635,188</u>

(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 4 – LEASE RECEIVABLES

The District owns buildings and land which has been leased out to third parties under multi-year agreements. The terms of these leases vary and may contain one or more renewal options. These renewal periods are included within the lease term when it is reasonably certain that lessees will exercise the renewal option. The District's lease arrangements do not contain any material residual value guarantees. As the interest rate implicit in the District's leases is not readily determinable, the incremental borrowing rate was utilized to report lease receivables at their net present value.

Minimum lease payments receivable on leases of District properties are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 301,839	\$ 360,222	\$ 662,061
2024	151,774	353,219	504,993
2025	115,010	348,828	463,838
2026	64,334	346,411	410,745
2027	66,290	344,455	410,745
2028-2032	362,949	1,690,776	2,053,725
2033-2037	421,607	1,632,118	2,053,725
2038-2042	489,746	1,563,979	2,053,725
2043-2047	568,897	1,484,828	2,053,725
2048-2052	660,841	1,392,884	2,053,725
2053-2057	767,644	1,286,081	2,053,725
2058-2062	891,709	1,162,016	2,053,725
2063-2067	1,035,823	1,017,902	2,053,725
2068-2072	1,203,229	850,496	2,053,725
2073-2077	1,397,692	656,033	2,053,725
2078-2082	1,623,582	430,143	2,053,725
2083-2087	1,885,980	167,745	2,053,725
2088	136,062	851	136,913
	<u>\$ 12,145,008</u>	<u>\$ 15,088,987</u>	<u>\$ 27,233,995</u>

The inflows of resources to the District which resulted from lease receivables totaled \$320,591 and \$337,990 in lease revenue and interest income, respectively, during the year ended June 30, 2022.

(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 5 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2022 is shown below:

	Balance July 1, <u>2021</u>	<u>Additions</u>	Transfers and <u>Deductions</u>	Balance June 30, <u>2022</u>
<u>Governmental Activities</u>				
Non-depreciable:				
Land	\$ 22,771,808	\$ -	\$ -	\$ 22,771,808
Work-in-process	51,897,575	39,366,211	(115,303)	91,148,483
Depreciable:				
Buildings	77,662,147	-	-	77,662,147
Land improvements	159,373,026	-	-	159,373,026
Furniture and equipment	32,828,869	-	115,303	32,944,172
Totals, at cost	<u>344,533,425</u>	<u>39,366,211</u>	<u>-</u>	<u>383,899,636</u>
Less accumulated depreciation:				
Buildings	(36,524,775)	(1,195,342)	-	(37,720,117)
Land improvements	(88,661,047)	(6,671,471)	-	(95,332,518)
Furniture and equipment	(18,209,375)	(1,500,302)	-	(19,709,677)
Total accumulated depreciation	<u>(143,395,197)</u>	<u>(9,367,115)</u>	<u>-</u>	<u>(152,762,312)</u>
Capital assets, net	<u>\$ 201,138,228</u>	<u>\$ 29,999,096</u>	<u>\$ -</u>	<u>\$ 231,137,324</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 3,146,995
Home-to-school transportation	1,350
Food services	24,247
General administration	418
Data processing	112,688
Plant services	<u>6,081,417</u>
Total depreciation expense	<u>\$ 9,367,115</u>

(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 6 - LONG-TERM LIABILITIES

General Obligation Bonds: 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 2012 Series A Bonds were used to update and construct District facilities. The 2012 Series A 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 2010 Series B Bonds are being used to update and construct District facilities. The 2010 Series B 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 2014 GO Refunding Bonds were used to refund certain maturities of other General Obligation Bonds held by the District. The 2014 GO Refunding 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 2018 Series A Bonds are being used to update and construct District facilities. The 2018 Series A 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 2020 GO Refunding Bonds were used to refund certain maturities of the District's outstanding Election 2012, Series A GO Bonds. As of June 30, 2022, the refunded bonds are fully repaid. The 2020 GO Refunding Bonds bear interest at rates ranging from 0.337% to 2.401% and are scheduled to mature through August 2037.

On September 29, 2021, the District issued Election of 2018, Series B General Obligation Bonds (2018 Series B), totaling \$150,000,000. The proceeds of the 2018 Series B Bonds will be used to update and construct District facilities. The bonds bear interest at rates ranging from 2.0% to 4.0% and are scheduled to mature through August 2046.

The General Obligation Bonds outstanding as of June 30, 2022 are scheduled to mature as follows.

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 16,440,000	\$ 8,685,570	\$ 25,125,570
2024	17,180,000	7,928,496	25,108,496
2025	11,605,000	7,374,483	18,979,483
2026	6,365,000	7,056,123	13,421,123
2027	6,920,000	6,858,636	13,778,636
2028-2032	44,385,000	30,108,796	74,493,796
2033-2037	64,245,000	20,837,755	85,082,755
2038-2042	57,810,000	11,174,403	68,984,403
2043-2045	63,155,000	3,719,269	66,874,269
	<u>\$ 288,105,000</u>	<u>\$ 103,743,531</u>	<u>\$ 391,848,531</u>

(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 6 - LONG-TERM LIABILITIES (Continued)

A summary of General Obligation Bonds outstanding as of June 30, 2022 follows.

<u>Series</u>	<u>Interest Rate</u>	<u>Original Maturity</u>	<u>Balance July 1, 2021</u>	<u>Current Year Issuances</u>	<u>Current Year Maturities</u>	<u>Balance June 30, 2022</u>
Election of 2012, Series A	1.5-5.0%	2038	\$ 2,710,000	\$ -	\$ 1,325,000	\$ 1,385,000
Election of 2012, Series B	1.0-5.0%	2038	27,500,000	-	820,000	26,680,000
2014 GO Refunding Bonds	1.0-5.0%	2025	14,175,000	-	3,290,000	10,885,000
Election of 2018 Series A	3.0-5.0%	2045	64,020,000	-	10,020,000	54,000,000
2020 GO Refunding Bonds	0.337-2.401%	2038	45,755,000	-	600,000	45,155,000
Election of 2018 Series B	2.0-4.0%	2047	-	150,000,000	-	150,000,000
			<u>\$ 154,160,000</u>	<u>\$ 150,000,000</u>	<u>\$ 16,055,000</u>	<u>\$ 288,105,000</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>
2023	\$ 1,146,890
2024	1,284,666
2025	1,302,190
2026	1,302,190
2027	1,302,190
2028-2032	<u>5,168,673</u>
Total Payments	11,506,799
Less amount representing interest	<u>(1,317,715)</u>
	<u>\$ 10,189,084</u>

(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 6 - 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, 2022 is shown below:

<u>Governmental Activities</u>	Balance July 30, <u>2021</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2022</u>	Amounts Due Within <u>One Year</u>
<u>Debt:</u>					
General Obligation Bonds	\$ 154,160,000	\$ 150,000,000	\$ 16,055,000	\$ 288,105,000	\$ 16,440,000
Unamortized premiums	8,948,484	10,066,047	933,456	18,081,075	1,352,869
Certificates of Participation	11,177,780	-	988,696	10,189,084	976,413
 <u>Other long-term liabilities:</u>					
Total OPEB liability (Note 10)	15,096,088	742,123	-	15,838,211	-
Net pension liability (Notes 8 & 9)	135,256,000	-	65,286,000	69,970,000	-
Compensated absences	806,005	271,745	-	1,077,750	1,077,750
	<u>\$ 325,444,357</u>	<u>\$ 161,079,915</u>	<u>\$ 83,263,152</u>	<u>\$ 403,261,120</u>	<u>\$ 19,847,032</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, 2022

NOTE 7 - FUND BALANCES

Fund balances, by category, at June 30, 2022 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	258,701	-	-	95,274	353,975
Prepaid expenditures	<u>338,413</u>	<u>9,238</u>	<u>-</u>	<u>1,507</u>	<u>349,158</u>
Subtotal nonspendable	<u>612,114</u>	<u>9,238</u>	<u>-</u>	<u>100,869</u>	<u>722,221</u>
Restricted:					
Legally restricted:					
Grants	4,583,875	-	-	-	4,583,875
Student activities	-	-	-	235,705	235,705
Adult education	-	-	-	1,908,705	1,908,705
Child development	-	-	-	227,378	227,378
Cafeteria operations	-	-	-	1,634,199	1,634,199
Deferred maintenance	-	-	-	141,904	141,904
Capital projects	-	170,718,494	-	6,534,124	177,252,618
Debt service	<u>-</u>	<u>-</u>	<u>27,629,845</u>	<u>-</u>	<u>27,629,845</u>
Subtotal restricted	<u>4,583,875</u>	<u>170,718,494</u>	<u>27,629,845</u>	<u>10,682,015</u>	<u>213,614,229</u>
Committed:					
Program Carryover	3,115,441	-	-	-	3,115,441
Operational Carryover	<u>14,029,853</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,029,853</u>
Subtotal assigned	<u>17,145,294</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,145,294</u>
Assigned:					
Other postemployment benefits	<u>1,812,227</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,812,227</u>
Unassigned:					
Reserved for economic uncertainty	<u>4,358,655</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,358,655</u>
Total fund balances	<u>\$ 28,512,165</u>	<u>\$ 170,727,732</u>	<u>\$ 27,629,845</u>	<u>\$ 10,782,884</u>	<u>\$ 237,652,626</u>

(Continued)

NOTE 8 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

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

(Continued)

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

Contributions: Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Current contribution rates were established by California Assembly Bill 1469 (CalSTRS Funding Plan), which was passed into law in June 2014, and various subsequent legislation.

The CalSTRS Funding Plan established a schedule of contribution rate increases shared among members, employers, and the State of California to bring CalSTRS toward full funding by fiscal year 2046. California Senate Bill 90 and California Assembly Bill 84 (collectively the "Special Legislation") were signed into law in June 2019 and June 2020, respectively, and provided supplemental contributions to the DB Program along with supplemental contribution rate relief to employers through fiscal year 2021–22.

A summary of statutory contribution rates and other sources of contributions to the DB Program pursuant to the CalSTRS Funding Plan and the Special Legislation, are as follows:

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.250 percent of applicable member earnings for fiscal year 2021-2022.

Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 10.250 percent of applicable member earnings for fiscal year 2021-2022. 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, 2020, valuation adopted by the board in June 2021, 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 – 16.92 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 2.18 percent to be paid on behalf of employers pursuant to the Special Legislation.

Beginning in fiscal year 2021–22, the CalSTRS Funding Plan authorizes the board to adjust the employer supplemental contribution rate up or down by a maximum of 1% for a total rate of no higher than 20.25% and no lower than 8.25%. In June 2021, the CalSTRS board voted to keep the employer supplemental contribution rate the same for fiscal year 2021–22; it remained at 10.85% effective July 1, 2021.

Through the Special Legislation approved in June 2019 and June 2020, the State made supplemental contributions of approximately \$2.2 billion to CalSTRS on behalf of employers to supplant the amounts submitted by employers for fiscal years 2019–20 through 2021–22. Specifically, employers will remit 1.03%, 2.95% and 2.18% less than is required by the CalSTRS Funding Plan for fiscal years 2019–20, 2020–21 and 2021–22, respectively.

(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

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

The CalSTRS employer contribution rates effective for fiscal year 2021-2022 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, 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 \$11,004,009 to the plan for the fiscal year ended June 30, 2022.

State – 10.828 percent of the members' calculated based on creditable compensation from two fiscal years prior.

The state is required to contribute a base contribution rate set in statute at 2.017%. Pursuant to the CalSTRS Funding Plan, the state also has a supplemental contribution rate, which the board can increase by up to 0.5% each fiscal year to help eliminate the state's share of the CalSTRS unfunded actuarial obligation by 2046. In June 2021, the board approved an increase of 0.5% for fiscal year 2021–22, which will increase the state supplemental contribution rate to 6.311% effective July 1, 2021.

Special legislation appropriated supplemental state contributions to reduce the state's portion of the unfunded actuarial obligation of the DB Program in fiscal years 2019-20 through 2022-23. These contributions are funded from future excess General Fund revenues, pursuant to the requirements of California Proposition 2, Rainy-Day Budget Stabilization Fund Act, which passed in 2014. Accordingly, the contribution amounts are subject to change each year based on the availability of funding. For fiscal year 2020–21, CalSTRS received \$297.0 million in supplemental state contributions from Proposition 2 funds. Of this total, approximately \$170.0 million is designated to cover forgone contributions due to the suspension of the 0.5% increase to the state supplemental contribution rate in fiscal year 2020–21. The remaining \$127.0 million is designated to reduce the state's share of CalSTRS' unfunded actuarial obligation.

(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

The CalSTRS state contribution rates effective for fiscal year 2021-22 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, 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.

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

At June 30, 2022, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 42,281,000
State's proportionate share of the net pension liability associated with the District	<u>25,156,000</u>
Total	<u>\$ 67,437,000</u>

The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. 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, 2021, the District's proportion was 0.093 percent, which was a decrease of 0.006 percent from its proportion measured as of June 30, 2020.

(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

For the year ended June 30, 2022, the District recognized pension expense of \$5,865,052, and revenue of \$7,066,901 for support provided by the State. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 106,000	\$ 4,500,000
Changes of assumptions	5,991,000	-
Net differences between projected and actual earnings on investments	-	33,446,000
Changes in proportion and differences between District contributions and proportionate share of contributions	1,546,000	6,921,000
Contributions made subsequent to measurement date	<u>11,004,009</u>	<u>-</u>
Total	<u>\$ 18,647,009</u>	<u>\$ 44,867,000</u>

\$11,004,009 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, 2023. 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>	
2023	\$ (7,742,500)
2024	\$ (6,834,500)
2025	\$ (9,259,500)
2026	\$ (10,727,834)
2027	\$ (1,482,333)
2028	\$ (1,177,333)

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, 2021 measurement date. 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, 2022

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

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, 2020, and rolling forward the total pension liability to June 30, 2021. The financial reporting actuarial valuation as of June 30, 2020, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2020
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.

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.

(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

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

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>\$ 86,069,000</u>	<u>\$ 42,281,000</u>	<u>\$ 5,938,000</u>

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

(Continued)

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

General Information about the Public Employer’s Retirement Fund B

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

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

<https://www.calpers.ca.gov/docs/forms-publications/acfr-2021.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, 2022 were as follows:

Members - The member contribution rate was 7.0 percent of applicable member earnings for fiscal year 2021-2022.

Employers - The employer contribution rate was 22.91 percent of applicable member earnings.

The District contributed \$4,637,166 to the plan for the fiscal year ended June 30, 2022.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2022, the District reported a liability of \$27,689,000 or its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. 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, 2021, the District’s proportion was 0.136 percent, which was an increase of 0.007 percent from its proportion measured as of June 30, 2020.

(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

For the year ended June 30, 2022, the District recognized pension expense of \$3,685,433. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 827,000	\$ 65,000
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	10,627,000
Changes in proportion and differences between District contributions and proportionate share of contributions	1,856,000	-
Contributions made subsequent to measurement date	<u>4,637,166</u>	<u>-</u>
Total	<u>\$ 7,320,166</u>	<u>\$ 10,692,000</u>

\$4,637,166 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, 2023. 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>	
2023	\$ (1,290,250)
2024	\$ (1,698,250)
2025	\$ (2,065,250)
2026	\$ (2,955,250)

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, 2021 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, 2022

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

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

Valuation Date	June 30, 2020
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, 2020 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, 2022

NOTE 9 – 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 considered 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 Rate <u>(7.15%)</u>	1% Increase <u>(8.15%)</u>
District’s proportionate share of the net pension liability	<u>\$ 46,687,000</u>	<u>\$ 27,689,000</u>	<u>\$ 11,916,000</u>

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

(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the Other Postemployment Benefits Plan

Plan Description: In addition to the pension benefits described in Notes 8 and 9, the District provides healthcare benefits to eligible employees who retire from the District, as part of a single-employer defined benefit postemployment health care plan (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, 2022 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, 2022:

	<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 \$789,978 for the year ended June 30, 2022. Employees are not required to contribute to the OPEB plan.

(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Total OPEB Liability: The District's total OPEB liability was measured as of June 30, 2021 and was determined by an actuarial valuation as of June 30, 2020.

Actuarial Assumptions and Other Inputs: The total OPEB liability in the June 30, 2021 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>	2.18%.
<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, 2022

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Health Claims

Medical claims were estimated for year ended June 30, 2022. 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 2.18%. 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, 2021	\$ 15,096,088
Changes for the year:	
Service cost	535,845
Interest	391,049
Changes in assumptions	605,207
Benefit payments	(789,978)
Net change	742,123
Balance at June 30, 2022	\$ 15,838,211

Changes in assumptions include an update in the discount rate from 2.66% in the prior measurement, to 2.18% in the current measurement performed as of June 30, 2021. There were no changes in plan benefits or eligible members between the measurement date and the year ended June 30, 2022 which had a significant effect on the District's total OPEB liability.

(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 10 - 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:

	<u>(1.18%)</u>	<u>Rate (2.18%)</u>	<u>(3.18%)</u>
Total OPEB liability	<u>\$ 17,185,551</u>	<u>\$ 15,838,211</u>	<u>\$ 14,606,285</u>

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:

	<u>(4.50%)</u>	<u>(5.50%)</u>	<u>(6.50%)</u>
Total OPEB liability	<u>\$ 14,716,966</u>	<u>\$ 15,838,211</u>	<u>\$ 17,122,929</u>

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$535,619. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 3,238,277
Changes of assumptions	1,143,821	359,671
Contributions made subsequent to measurement date	<u>779,350</u>	<u>-</u>
Total	<u>\$ 1,923,171</u>	<u>\$ 3,597,948</u>

\$779,350 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, 2023. 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 <u>June 30,</u>	
2023	\$ (391,275)
2024	\$ (391,275)
2025	\$ (391,275)
2026	\$ (391,275)
2027	\$ (391,275)
Thereafter	\$ (497,752)

(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE 11 - 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, 2021 (the latest information available) is provided below:

	<u>Metro Ed</u>	<u>SCCSIG</u>	<u>EVSTA</u>	<u>SBASIA</u>
Total assets	\$ 49,091,496	\$ 27,080,897	\$ 854,608	\$ 7,776,989
Total deferred outflows of resources	\$ 3,551,123	\$ 210,723	\$ -	\$ -
Total liabilities	\$ 18,145,265	\$ 6,814,219	\$ 528,843	\$ 6,357,405
Total deferred inflows of resources	\$ 2,884,987	\$ 74,414	\$ -	\$ -
Net position	\$ 31,612,367	\$ 20,402,987	\$ 325,765	\$ 1,419,584
Total revenues	\$ 17,775,902	\$ 40,968,217	\$ 733,003	\$ 6,585,657
Total expenditures	\$ 18,176,001	\$ 40,624,196	\$ 691,519	\$ 7,032,868
Change in net position	\$ (400,099)	\$ 344,021	\$ 41,484	\$ (447,211)

NOTE 12 - COMMITMENTS AND CONTINGENCIES

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

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

At June 30, 2022 the District had commitments for capital construction projects totaling approximately \$76.3 million.

REQUIRED SUPPLEMENTARY INFORMATION

MILPITAS UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2022

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 37,599,212	\$ 42,597,610	\$ 40,562,366	\$ (2,035,244)
Local sources	<u>62,200,815</u>	<u>56,927,026</u>	<u>61,968,646</u>	<u>5,041,620</u>
Total LCFF	<u>99,800,027</u>	<u>99,524,636</u>	<u>102,531,012</u>	<u>3,006,376</u>
Federal sources	4,643,212	11,768,108	10,041,143	(1,726,965)
Other state sources	17,103,893	17,295,778	17,598,656	302,878
Other local sources	<u>9,086,409</u>	<u>11,453,605</u>	<u>11,436,332</u>	<u>(17,273)</u>
Total revenues	<u>130,633,541</u>	<u>140,042,127</u>	<u>141,607,143</u>	<u>1,565,016</u>
Expenditures:				
Current:				
Certificated salaries	62,430,040	66,718,254	65,668,012	1,050,242
Classified salaries	18,164,793	19,397,092	19,269,105	127,987
Employee benefits	34,801,718	36,201,619	35,403,647	797,972
Books and supplies	7,068,329	11,781,665	7,997,530	3,784,135
Contract services and operating expenditures	8,369,148	11,078,607	10,705,721	372,886
Other outgo	5,983,602	6,020,346	5,602,397	417,949
Capital outlay	<u>5,000</u>	<u>44,696</u>	<u>32,210</u>	<u>12,486</u>
Total expenditures	<u>136,822,630</u>	<u>151,242,279</u>	<u>144,678,622</u>	<u>6,563,657</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(6,189,089)</u>	<u>(11,200,152)</u>	<u>(3,071,479)</u>	<u>8,128,673</u>
Other financing sources (uses):				
Transfers in	6,490,596	4,901,610	1,509,659	(3,391,951)
Transfers out	<u>(5,099,596)</u>	<u>(3,510,610)</u>	<u>(59,000)</u>	<u>3,451,610</u>
Total other financing sources (uses)	<u>1,391,000</u>	<u>1,391,000</u>	<u>1,450,659</u>	<u>59,659</u>
Change in fund balance	(4,798,089)	(9,809,152)	(1,620,820)	8,188,332
Fund balance, July 1, 2021	<u>30,132,985</u>	<u>30,132,985</u>	<u>30,132,985</u>	<u>-</u>
Fund balance, June 30, 2022	<u>\$ 25,334,896</u>	<u>\$ 20,323,833</u>	<u>\$ 28,512,165</u>	<u>\$ 8,188,332</u>

See accompanying note to required supplementary information.

MILPITAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S
TOTAL OTHER POSTEMPLOYMENT BENEFITS LIABILITY
For the Year Ended June 30, 2022

	Last 10 Fiscal Years				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Total OPEB liability					
Service cost	\$ 771,833	\$ 734,924	\$ 465,308	\$ 497,213	\$ 535,845
Interest	514,785	584,240	425,645	402,694	391,049
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	605,207
Benefit payments	<u>(925,857)</u>	<u>(998,262)</u>	<u>(995,812)</u>	<u>(912,037)</u>	<u>(789,978)</u>
Net change in total OPEB liability	(293,720)	(4,383,669)	108,194	206,608	742,123
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>	<u>15,096,088</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>	<u>\$ 15,838,211</u>
Covered employee payroll	\$ 71,141,497	\$ 30,802,822	\$ 31,097,499	\$ 32,106,440	\$ 28,244,394
Total OPEB liability as a percentage of covered-employee payroll	26.94%	47.99%	47.88%	47.02%	56.08%

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, 2022

	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>	<u>2022</u>
District's proportion of the net pension	0.102%	0.101%	0.102%	0.098%	0.099%	0.101%	0.099%	0.093%
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	\$ 42,281,000
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>	<u>25,156,000</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>	<u>\$ 67,437,000</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	\$ 49,901,000
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%	84.73%
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%	87.21%

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, 2022

	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>	<u>2022</u>
District's proportion of the net pension	0.118%	0.120%	0.122%	0.122%	0.125%	0.127%	0.129%	0.136%
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	\$ 27,689,000
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	\$ 19,536,000
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%	141.73%
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%	80.97%

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, 2022

	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>	<u>2022</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	\$ 11,004,009
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>	<u>(11,004,009)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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	\$ 49,901,000	\$ 57,613,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%	16.29%	17.10% *	16.15%**	16.92%**

* 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.

*** This rate reflects the original employer contribution rate of 19.10 percent under AB1469, reduced for the 2.18 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, 2022

	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>	<u>2022</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	\$ 4,637,166
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>	<u>(4,637,166)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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	\$ 19,536,000	\$ 20,241,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%	18.06%	19.72%	20.70%	22.91%

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, 2022

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, 2.66 and 2.18 percent as of the June 30, 2018, 2019, 2020, and 2021 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, 7.15 and 7.15 percent in the June 30, 2013, 2014, 2015, 2016, 2017, 2018, 2019 and 2020 actuarial reports, respectively.

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

Assumption	Measurement Period						
	As of June 30, 2021	As of June 30, 2020	As of June 30, 2019	As of June 30, 2018	As of June 30, 2017	As of June 30, 2016	As of June 30, 2015
Consumer price inflation	2.75%	2.75%	2.75%	2.75%	2.75%	3.00%	3.00%
Investment rate of return	7.10%	7.10%	7.10%	7.10%	7.10%	7.60%	7.60%
Wage growth	3.50%	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, 2022

	Student Activity Fund	Adult Education Fund	Child Develop- ment Fund	Cafeteria Fund	Deferred Mainten- ance Fund	Capital Facilities Fund	County School Facilities Fund	Total
ASSETS								
Cash in County Treasury	\$ -	\$ 1,304,015	\$ 415,486	\$ 986,482	\$ 241,218	\$ 6,517,964	\$ -	\$ 9,465,165
Cash on hand and in banks	235,705	-	-	-	-	-	-	235,705
Cash in revolving fund	-	-	-	4,088	-	-	-	4,088
Receivables	-	624,860	29,416	699,291	686	16,160	41,246	1,411,659
Due from other funds	-	2,289	-	277	-	-	-	2,566
Stores inventory	-	-	-	95,274	-	-	-	95,274
Prepaid expenditures	-	-	-	-	-	1,507	-	1,507
Total assets	<u>\$ 235,705</u>	<u>\$ 1,931,164</u>	<u>\$ 444,902</u>	<u>\$ 1,785,412</u>	<u>\$ 241,904</u>	<u>\$ 6,535,631</u>	<u>\$ 41,246</u>	<u>\$ 11,215,964</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ -	\$ 22,459	\$ 217,247	\$ 51,851	\$ -	\$ -	\$ -	\$ 291,557
Due to other funds	-	-	277	-	100,000	-	41,246	141,523
Total liabilities	<u>-</u>	<u>22,459</u>	<u>217,524</u>	<u>51,851</u>	<u>100,000</u>	<u>-</u>	<u>41,246</u>	<u>433,080</u>
Fund balances:								
Nonspendable	-	-	-	99,362	-	1,507	-	100,869
Restricted	235,705	1,908,705	227,378	1,634,199	141,904	6,534,124	-	10,682,015
Total fund balance	<u>235,705</u>	<u>1,908,705</u>	<u>227,378</u>	<u>1,733,561</u>	<u>141,904</u>	<u>6,535,631</u>	<u>-</u>	<u>10,782,884</u>
Total liabilities and fund balances	<u>\$ 235,705</u>	<u>\$ 1,931,164</u>	<u>\$ 444,902</u>	<u>\$ 1,785,412</u>	<u>\$ 241,904</u>	<u>\$ 6,535,631</u>	<u>\$ 41,246</u>	<u>\$ 11,215,964</u>

MILPITAS UNIFIED SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
 ALL NON-MAJOR FUNDS
 For the Year Ended June 30, 2022

	Student Activity Fund	Adult Education Fund	Child Develop- ment Fund	Cafeteria Fund	Deferred Mainten- ance Fund	Capital Facilities Fund	County School Facilities Fund	Total
Revenues:								
Federal sources	\$ -	\$ 478,709	\$ 297,038	\$ 5,084,237	\$ -	\$ -	\$ -	\$ 5,859,984
Other state sources	-	1,165,202	1,534,015	446,913	-	-	16,573,033	19,719,163
Other local sources	270,938	32,922	296,972	44,873	2,069	623,790	93,496	1,365,060
Total revenues	<u>270,938</u>	<u>1,676,833</u>	<u>2,128,025</u>	<u>5,576,023</u>	<u>2,069</u>	<u>623,790</u>	<u>16,666,529</u>	<u>26,944,207</u>
Expenditures:								
Current:								
Certificated salaries	-	1,065,854	730,233	-	-	-	-	1,796,087
Classified salaries	-	267,564	499,070	1,949,680	-	24,784	-	2,741,098
Employee benefits	-	551,474	573,166	959,712	-	11,917	-	2,096,269
Books and supplies	238,455	121,892	239,566	1,655,591	26,771	-	-	2,282,275
Contract services and operating expenditures	-	23,996	92,392	110,821	266,226	12,144	-	505,579
Capital outlay	-	-	-	25,661	78,290	119,542	-	223,493
Total expenditures	<u>238,455</u>	<u>2,030,780</u>	<u>2,134,427</u>	<u>4,701,465</u>	<u>371,287</u>	<u>168,387</u>	<u>-</u>	<u>9,644,801</u>
Excess (deficiency) of revenues over (under) expenditures	<u>32,483</u>	<u>(353,947)</u>	<u>(6,402)</u>	<u>874,558</u>	<u>(369,218)</u>	<u>455,403</u>	<u>16,666,529</u>	<u>17,299,406</u>
Other financing (uses) sources:								
Transfers in	-	59,000	-	-	400,000	-	-	459,000
Transfers out	-	(59,659)	-	-	-	-	(16,666,529)	(16,726,188)
Total other financing (uses) sources	<u>-</u>	<u>(659)</u>	<u>-</u>	<u>-</u>	<u>400,000</u>	<u>-</u>	<u>(16,666,529)</u>	<u>(16,267,188)</u>
Net change in fund balances	32,483	(354,606)	(6,402)	874,558	30,782	455,403	-	1,032,218
Fund balance, July 1, 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>-</u>	<u>9,750,666</u>
Fund balance, June 30, 2022	<u>\$ 235,705</u>	<u>\$ 1,908,705</u>	<u>\$ 227,378</u>	<u>\$ 1,733,561</u>	<u>\$ 141,904</u>	<u>\$ 6,535,631</u>	<u>\$ -</u>	<u>\$ 10,782,884</u>

MILPITAS UNIFIED SCHOOL DISTRICT
ORGANIZATION
June 30, 2022

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, 2022 was comprised of the following members:

GOVERNING BOARD

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

ADMINISTRATION

Cheryl Jordan
Superintendent

Jonathon Brunson
Assistant Superintendent, Human Relations

Mary Jude Doerpinghaus
Executive Director, Inc Services for All Learners

Wendy Zhang
Assistant Superintendent, Business Services

Priti Johari
Executive Director, Learning and Innovation

MILPITAS UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AVERAGE DAILY ATTENDANCE
 For the Year Ended June 30, 2022

	Second Period Report <u>(Original)</u>	Second Period Report <u>(Revised)*</u>	Annual Report
Certificate Numbers:	4BE35A62	ECE9351F	32610837
Elementary:			
Transitional Kindergarten through Third	3,053	3,051	3,042
Fourth through Sixth	2,114	2,114	2,113
Seventh and Eighth	1,371	1,370	1,373
Special Education	<u>13</u>	<u>13</u>	<u>14</u>
Total Elementary	<u>6,551</u>	<u>6,548</u>	<u>6,542</u>
Secondary:			
Ninth through Twelfth	2,962	2,965	2,953
Special Education	6	6	6
Continuation	<u>88</u>	<u>89</u>	<u>87</u>
Total Secondary	<u>3,056</u>	<u>3,060</u>	<u>3,046</u>
District Total	<u><u>9,607</u></u>	<u><u>9,608</u></u>	<u><u>9,588</u></u>
Classes for Adults:			
Adults in correctional facilities	<u>119</u>	<u>119</u>	<u>119</u>

* Revised based on the District's internal review of records.

MILPITAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
For the Year Ended June 30, 2022

<u>Grade Level</u>	<u>Statutory Minutes Requirement</u>	<u>2021-2022 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	37,000	180	In Compliance
Grade 1	50,400	50,422	180	In Compliance
Grade 2	50,400	50,422	180	In Compliance
Grade 3	50,400	50,422	180	In Compliance
Grade 4	54,000	54,008	180	In Compliance
Grade 5	54,000	54,008	180	In Compliance
Grade 6	54,000	54,008	180	In Compliance
Grade 7	54,000	56,615	180	In Compliance
Grade 8	54,000	56,615	180	In Compliance
Grade 9	64,800	65,034	180	In Compliance
Grade 10	64,800	65,034	180	In Compliance
Grade 11	64,800	65,034	180	In Compliance
Grade 12	64,800	65,034	180	In Compliance

MILPITAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2022

Assistance Listing (AL) 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	\$ 334,355
84.027	COVID-19: Special Ed: ARP IDEA Part B, Sec. 611, Local Assistance Private School ISPs	15638	1,015
84.027	Special Ed: IDEA Basic Local Assistance, Part B, Section 611	15639	1,638,609
84.027	Special Ed: IDEA Local Assistance, Part B, Sec 611, Early Intervening	10119	142,860
84.173	COVID-19: Special Ed: ARP IDEA Part B, Sec. 619, Preschool Grants	10169	29,915
84.027A	Special Ed: IDEA Mental Health Services, Part B	14468	104,836
84.173	Special Ed: IDEA Preschool Grants, Part B, Section 611	13430	47,496
84.027	Special Ed: IDEA Local Assistance, Privat Schools ISPs	10115	4,977
84.173A	Special Ed: IDEA Preschool Staff Development, Part B	13431	433
	Subtotal Special Education Cluster		<u>2,304,496</u>
Adult Education Programs:			
84.002	Adult Education: Adult Secondary Education	13978	22,744
84.002A	Adult Education: Adult Basic Education & ESL	14508	183,240
84.002	Adult Education: Institutionalized Adults	13971	206,225
84.002	Adult Education: English Literacy & Civics Education	14750	66,500
	Subtotal Adult Education Programs		<u>478,709</u>
Title I Programs:			
84.010	ESEA: Title I, Part A, Basic Grants Low-Income and Neglected	14329	714,824
84.010	ESEA: School Improvement funding for LEAs	15438	162,255
	Subtotal Title I Programs		<u>877,079</u>
Title III Programs:			
84.365	ESEA: Immigrant Student Program	15146	21,489
84.365	ESEA: Title III, English Learner Student Program	14346	303,594
	Subtotal Title III Programs		<u>325,083</u>

(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2022

<u>Assistance Listing (AL) Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through</u>			
<u>California Department of Education (continued)</u>			
	COVID-19: Education Stabilization Fund (ESF) Programs:		
84.425	COVID-19: Elementary and Secondary School Emergency Relief (ESSER) Fund	15536	\$ 424,056
84.425	COVID-19: Elementary and Secondary School Emergency Relief II (ESSER II) Fund	15547	135,220
84.425C	COVID-19: Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	15517	316,717
84.425	COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund	15559	3,960,611
84.425	COVID-19: Expanded Learning Opportunities ESSER II State Reserve	15618	534,103
84.425U	COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss	10155	<u>726,485</u>
	Subtotal COVID-19: ESF Programs		<u>6,097,192</u>
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	43,271
84.126	Department of Rehabilitation: Workability II, Transitions Partnership Program	10006	208,279
84.424	ESEA: Title IV, Part A, Student Support and Academic Enrichment Grants	15396	55,134
84.367	ESEA: Title II, Part A, Supporting Effective instruction Local Grants	14341	<u>88,259</u>
	Total U.S. Department of Education		<u>10,477,502</u>
<u>U.S. Department of Agriculture - Passed through</u>			
<u>California Department of Education (continued)</u>			
	Child Nutrition Cluster:		
10.553	Child Nutrition: School Programs	13390	5,073,092
10.555	Child Nutrition: SNP COVID-19 Emergency Operational Costs Reimbursement (ECR)	15637	<u>8,082</u>
	Total U.S. Department of Agriculture - Child Nutrition Cluster		<u>5,081,174</u>

(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2022

<u>Assistance Listing (AL) Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
	CCDF Cluster:		
93.575	Child Development: Federal Child Care, Center Based	15136	\$ 261,638
93.575	Child Development: Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act- One-time Stipend	15555	57,330
93.575	COVID-19: Child Development: ARP California State Preschool Program One-time Stipend	15640	<u>35,400</u>
	Total U.S. Department of Health and Human Services		<u>354,368</u>
<u>U.S. Department of Defense - Passed through California Department of Education</u>			
12.235	Navy Junior ROTC	N/A	<u>45,413</u>
	Total Federal Programs		<u>\$ 15,958,457</u>

MILPITAS UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

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, 2022
(UNAUDITED)

	(Budget) <u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 135,254,346	\$ 143,116,802	\$ 132,507,431	\$ 123,452,146
Expenditures	145,822,771	144,678,622	130,308,277	127,808,061
Other uses and transfers out	<u>61,950</u>	<u>59,000</u>	<u>-</u>	<u>59,000</u>
Total outgo	<u>145,884,721</u>	<u>144,737,622</u>	<u>130,308,277</u>	<u>127,867,061</u>
Change in fund balance	\$ <u>(10,630,375)</u>	\$ <u>(1,620,820)</u>	\$ <u>2,199,154</u>	\$ <u>(4,414,915)</u>
Ending fund balance	\$ <u>17,881,790</u>	\$ <u>28,512,165</u>	\$ <u>30,132,985</u>	\$ <u>27,933,831</u>
Available reserves	\$ <u>4,296,601</u>	\$ <u>4,358,655</u>	\$ <u>21,294,767</u>	\$ <u>22,214,457</u>
Designated for economic uncertainties	\$ <u>4,296,601</u>	\$ <u>4,358,655</u>	\$ <u>20,411,861</u>	\$ <u>20,187,355</u>
Undesignated fund balance	\$ <u>-</u>	\$ <u>-</u>	\$ <u>882,906</u>	\$ <u>2,027,102</u>
Available reserves as percentages of total outgo	<u>2.9%</u>	<u>3.0%</u>	<u>16.3%</u>	<u>17.4%</u>
<u>All Funds</u>				
Total long-term liabilities	\$ <u>383,414,088</u>	\$ <u>403,261,120</u>	\$ <u>325,444,357</u>	\$ <u>335,308,058</u>
Average daily attendance at P-2, excluding adult education	<u>9,750</u>	<u>9,608</u>	<u>9,989</u>	<u>9,989</u>

The fund balance in the General Fund has decreased by \$3,836,581 over the past three years. The fiscal year 2022-2023 budget projects a decrease of \$10,630,375. 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, up to a maximum of 10%. For the year ended June 30, 2022, the District has met this requirement.

The District has incurred operating deficits in two of the past three years; and, anticipates incurring an operating deficit during the fiscal year ending June 30, 2023.

Total long-term liabilities have increased by \$67,953,062 over the past two years.

Average daily attendance has decreased by 381 over the past two years. The District anticipates an increase of 142 ADA for the 2022-2023 fiscal year.

MILPITAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2022

Charter Schools Chartered by District

There are no charter schools in the District.

Included in District
Financial Statements, or
Separate Report

NOTE 1 - PURPOSE OF SCHEDULES

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

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.

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.

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.

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 2022-2023 fiscal year, as required by the State Controller's Office.

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, 2022, 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

Opinion 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 *2021-22 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, 2022.

<u>Description</u>	<u>Procedures Performed</u>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Studies	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Yes
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A, see reasoning
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	Yes
Comprehensive School Safety Plan	Yes
District of Choice	N/A, see reasoning
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – course based	N/A, see reasoning
Immunizations	N/A, see reasoning
Educator Effectiveness	Yes

(Continued)

Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	N/A, see reasoning
In Person Instruction Grant	Yes
Attendance, for charter schools	N/A, see reasoning
Mode of Instruction, for charter schools	N/A, see reasoning
Nonclassroom-Based Instruction/Independent Study - charter schools	N/A, see reasoning
Determination of Funding for Nonclassroom-Based Instruction - charter schools	N/A, see reasoning
Charter School Facility Grant Program - charter schools	N/A, see reasoning
Annual Instructional Minutes-Classroom Based, for charter schools	N/A, see reasoning

We did not perform any procedures related to Juvenile Court Schools because it is only offered at County Offices of Education.

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 Independent Study-Course based because the District did not report any ADA for this program during the audit year.

We did not perform any procedures related to Immunizations because the State posted listing of school districts who require this testing did not include school sites of the District.

We did not perform any procedures related to Career Technical Education Incentive Grant because the State posted listing of school districts who received Grant did not include the District.

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

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, 2022.

Basis for Opinion on Compliance with State Laws and Regulations

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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 *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Crowe LLP
Crowe LLP

Sacramento, California
December 12, 2022

(Continued)

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, 2022, 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 December 12, 2022.

Report on 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 or significant deficiencies may exist that have not been identified.

(Continued)

Report on 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
December 12, 2022

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

Board of Education
Milpitas Unified School District
Milpitas, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Milpitas Unified School District's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Milpitas Unified School District's major federal programs for the year ended June 30, 2022. 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.

In our opinion, Milpitas Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

(Continued)

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

(Continued)

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

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

Crowe LLP
Crowe LLP

Sacramento, California
December 12, 2022

FINDINGS AND RECOMMENDATIONS

MILPITAS UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2022

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

FEDERAL AWARDS

Internal control over major programs:				
Material weakness(es) identified?	_____	Yes	_____ X _____	No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____	Yes	_____ X _____	None reported
Type of auditors' report issued on compliance for major programs:			Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____	Yes	_____ X _____	No

Identification of major programs:	
<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173, 84.027A, 84.173A	Special Education Cluster
84.425, 84.425U, 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
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(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

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, 2022

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, 2022

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, 2022

No matters were reported.