

**MILPITAS UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

June 30, 2020

MILPITAS UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2020  
(Continued)

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MILPITAS UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2020

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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Milpitas Unified School District  
Milpitas, California

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Milpitas Unified School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Milpitas Unified School District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Milpitas Unified School District, as of June 30, 2020, 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.

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(Continued)

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 9, the General Fund Budgetary Comparison Schedule, the Adult Education 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 47 to 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated on February 2, 2021 our consideration of Milpitas Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Milpitas Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Milpitas Unified School District's internal control over financial reporting and compliance.

  
Crowe LLP

Sacramento, California  
February 2, 2021

**MILPITAS UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2020*

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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, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- The District's overall financial position decreased by 26% to (\$14.4) million compared to last year due to the impact of the District's share of the net pension liability changes as well as the incurred liabilities on the general obligation bond.
- Total governmental revenues were \$163.9 million, \$6.4 million more than previous year due to the changes under the work- in- progress in net assets.
- The District's combined fund balances was at \$132.1 million, which decreased by \$5.9 million, primarily due to the changes in the capital assets and the District's shared pension cost.
- The total cost of basic programs were \$158.6 million. A portion of these costs being paid from charges, fees, and intergovernmental aid, the net cost that required taxpayer funding was \$121.3 million.
- Average daily attendance (grades K-12) is at 9,989 (not including students enrolled in the County program), which increased by 59 ADA, or 0.6% compared to the 2019 school year.
- In December 2019, a novel strain of coronavirus surfaced and has spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and financial results of the District could be materially adversely affected, including a reduction in the level of funding and impact to the timing of cash flows. While there was no material impact through the year ended June 30, 2020, the extent to which the coronavirus may impact financial activity will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.
- On March 13, 2020, the Governor of California issued Executive Order N-26-20, guaranteeing state funding to support the continued payment of salaries and benefits to all employees through June 30, 2020.

**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, 2020*

**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.

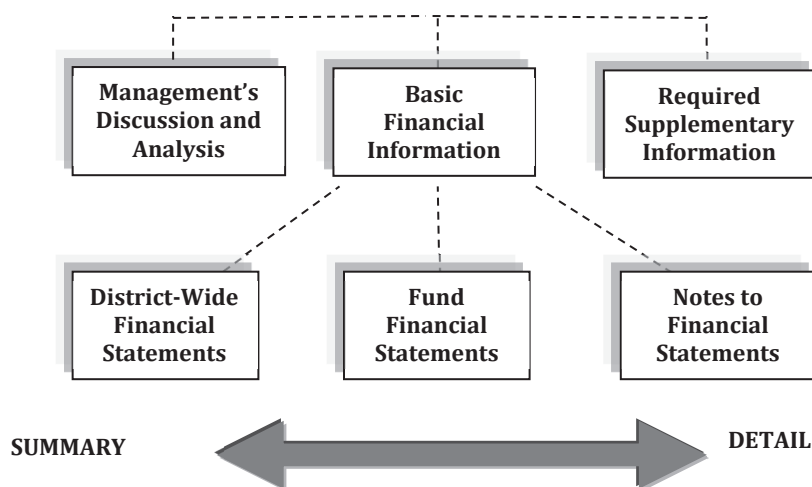


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

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

<b>Type of Statements</b>	<b>District-Wide</b>	<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
<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"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures &amp; Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> </ul>
<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, 2020*

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**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 trustee, or fiduciary, for assets that belong to others, namely, the student activities funds. 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, 2020*

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**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position.** The District's combined net position was higher on June 30, 2020, than it was the year before – increasing 26.8% to (\$14.4) million (See Table A-1).

**Table A-1**

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>2020</b>	<b>2019</b>	
Current assets	\$ 141,826,169	\$172,465,130	\$ (2,350,605)
Capital assets	170,209,125	130,608,339	11,312,430
<b>Total assets</b>	<b>312,035,294</b>	<b>303,073,469</b>	<b>8,961,825</b>
<b>Total deferred outflows</b>	<b>34,310,819</b>	<b>35,588,872</b>	<b>(1,278,053)</b>
Current liabilities	30,675,756	15,116,680	15,559,076
Long-term liabilities	317,255,076	330,992,966	(13,737,890)
<b>Total liabilities</b>	<b>347,930,832</b>	<b>346,109,646</b>	<b>1,821,186</b>
<b>Total deferred inflows</b>	<b>12,841,891</b>	<b>12,255,539</b>	<b>586,352</b>
Net position			
Net investment in capital assets	54,991,495	48,972,114	6,019,381
Restricted	29,207,630	20,109,641	9,097,989
Unrestricted	(98,625,735)	(88,784,599)	(9,841,136)
<b>Total net position</b>	<b>\$ (14,426,610)</b>	<b>\$ (19,702,844)</b>	<b>\$ 5,276,234</b>

- **Changes in net position, governmental activities.** The District's total revenues increased 4.1% to \$163.9 million (See Table A-2). \$6.4 million more than previous year due to the changes under the work-in-progress in net assets.

The total cost of all programs and services increased .38% to \$158.6 million. The District's expenses are predominantly related to educating and caring for students, 74.5%. The purely administrative activities of the District accounted for just 3% of total costs. A significant contributor to the increase in costs was instruction.

**Table A-2**

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>2020</b>	<b>2019</b>	
Total Revenues	\$ 163,922,177	\$ 157,500,683	\$ 6,421,494
Total Expenses	158,645,943	158,037,636	608,307
Decrease in net position	\$ 5,276,234	\$ (536,953)	\$ 5,813,187

**MILPITAS UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2020*

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**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 \$132.1 million, which decreased by \$5.9 million, primarily due to the changes in the capital assets and the District's shared pension cost.

**General Fund Budgetary Highlights**

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

- Revenues – increased by \$2.2 million primarily to reflect \$1.8 million in LCFF revenue and \$0.4 million in other State revenue.
- Salaries and benefits costs – stayed consistent with the final budget.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by approximately \$10.2 million (before transfers in/out), the actual results for the year show that expenditures exceeded revenue by roughly \$6.0 million. Actual revenues received were \$2.2 million more than anticipated, and expenditures were \$1.9 million less than budgeted. That amount consists primarily of categorical (unrestricted and restricted) program dollars that were not spent as of June 30, 2020 that will be carried over into the 2020-21 budget.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2019-20 the District had invested \$20.6 million in new capital assets, related to land and building improvements, net of accumulated depreciation. (More detailed information about capital assets can be found in Note 4 to the financial statements). Total depreciation expense for the year exceeded \$9.3 million.

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

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>2020</b>	<b>2019</b>	
Land	\$ 22,771,808	\$ 22,771,808	\$ -
Building and improvements	113,811,031	115,707,672	(1,896,641)
Furniture and equipment	15,855,034	14,900,667	954,367
Construction in progress	17,771,252	5,516,548	12,254,704
<b>Total</b>	<b>\$ 170,209,125</b>	<b>\$ 158,896,695</b>	<b>\$ 11,312,430</b>

**MILPITAS UNIFIED SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2020*

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**CAPITAL ASSET AND DEBT ADMINISTRATION (continued)**

**Long-Term Debt**

At year-end the District had \$335.3 million in general obligation bonds, certificates of participation, and other long-term liabilities, as well as other long-term employee related obligations – a decrease of approximately \$2.4 million – as shown in Table A-4. (More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements).

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

	Governmental Activities		Variance Increase (Decrease)
	2020	2019	
General obligation bonds	\$ 166,415,000	\$ 171,315,000	\$ (4,900,000)
Unamortized premiums	12,701,278	13,673,091	(971,813)
Certificates of participation	12,013,124	12,781,861	(768,737)
Due to Santa Clara County	24,331	48,662	(24,331)
Other postemployment benefits	14,889,480	14,781,286	108,194
Net pension liability	128,638,000	124,796,000	3,842,000
Compensated absences	626,845	265,443	361,402
<b>Total</b>	335,308,058	337,661,343	(2,353,285)

**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, 2020

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments (Note 2)	\$ 132,611,723
Receivables	8,478,671
Prepaid expenses	315,627
Stores inventory	420,148
Non-depreciable capital assets (Note 4)	40,543,060
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>129,666,065</u>
Total assets	<u>312,035,294</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources - pensions (Notes 7 and 8)	32,830,431
Deferred outflows of resources - OPEB (Note 9)	1,241,787
Deferred loss from refunding of debt	<u>238,601</u>
Total deferred outflows	<u>34,310,819</u>
<b>LIABILITIES</b>	
Accounts payable	11,321,985
Unearned revenue	1,300,789
Long-term liabilities (Note 5):	
Due within one year	18,052,982
Due after one year	<u>317,255,076</u>
Total liabilities	<u>347,930,832</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources - pensions (Notes 7 and 8)	8,411,000
Deferred inflows of resources - OPEB (Note 9)	<u>4,430,891</u>
Total deferred inflows	<u>12,841,891</u>
<b>NET POSITION</b>	
Net investment in capital assets	54,991,495
Restricted:	
Legally restricted programs	2,099,075
Capital projects	5,332,786
Debt service	21,775,769
Unrestricted	<u>(98,625,735)</u>
Total net position	<u>\$ (14,426,610)</u>

See accompanying notes to financial statements.

MILPITAS UNIFIED SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2020

			Program Revenues				Net (Expense) Revenues and Change in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>		<u>Governmental Activities</u>	
Governmental activities:							
Instruction	\$ 92,096,505	\$ 624,713	\$ 19,405,269	\$ -		\$ (72,066,523)	
Instruction-related services:							
Supervision on instruction	6,688,769	141	2,173,191	-		(4,515,437)	
Instructional library, media and technology	66,805	-	5,263	-		(61,542)	
School site administration	11,258,235	146,691	1,727,467	-		(9,384,077)	
Pupil services:							
Home-to-school transportation	871,221	-	2,083,500	-		1,212,279	
Food services	3,773,533	1,139,472	4,457,293	-		1,823,232	
All other pupil services	6,687,795	21,319	1,033,959	-		(5,632,517)	
General administration:							
Data processing	1,569,555	-	10,415	-		(1,559,140)	
All other general administration	5,557,593	4,147	617,436	-		(4,936,010)	
Plant services	17,298,058	722,163	434,891	-		(16,141,004)	
Ancillary services	439,231	-	17,264	-		(421,967)	
Other outgo	5,763,336	1,244,151	1,412,472	-		(3,106,713)	
Interest on long-term liabilities	6,575,307	-	-	-		(6,575,307)	
Total governmental activities	<u>\$ 158,645,943</u>	<u>\$ 3,902,797</u>	<u>\$ 33,378,420</u>	<u>\$ -</u>		<u>(121,364,726)</u>	
General revenues:							
Taxes and subventions:							
Taxes levied for general purposes						75,735,095	
Taxes levied for debt service						20,335,540	
Taxes levied for other specific purposes						6,560,836	
Federal and state aid not restricted to specific purposes						23,463,001	
Interest and investment earnings						482,608	
Miscellaneous						63,880	
Total general revenues						<u>126,640,960</u>	
Change in net position						5,276,234	
Net position, July 1, 2019						<u>(19,702,844)</u>	
Net position, June 30, 2020						<u>\$ (14,426,610)</u>	

See accompanying notes to financial statements.

MILPITAS UNIFIED SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2020

	General Fund	Adult Education Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments:						
Cash in County Treasury	\$ 27,125,934	\$ 37,944	\$ 77,593,058	\$ 21,718,127	\$ 5,946,886	\$ 132,421,949
Cash on hand and in banks	170,686	-	-	-	-	170,686
Cash in revolving fund	15,000	-	-	-	4,088	19,088
Receivables	3,855,204	2,663,463	1,401,651	57,642	500,711	8,478,671
Due from other funds	2,343,991	2,200	28,491	-	-	2,374,682
Stores inventory	311,028	-	-	-	109,120	420,148
Prepaid expenditures	<u>266,326</u>	<u>-</u>	<u>44,505</u>	<u>-</u>	<u>4,796</u>	<u>315,627</u>
Total assets	<u>\$ 34,088,169</u>	<u>\$ 2,703,607</u>	<u>\$ 79,067,705</u>	<u>\$ 21,775,769</u>	<u>\$ 6,565,601</u>	<u>\$ 144,200,851</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 4,833,672	\$ 57,137	\$ 3,390,386	\$ -	\$ 82,705	\$ 8,363,900
Unearned revenue	1,297,189	-	-	-	3,600	1,300,789
Due to other funds	<u>23,477</u>	<u>1,811,712</u>	<u>4,148</u>	<u>-</u>	<u>535,345</u>	<u>2,374,682</u>
Total liabilities	<u>6,154,338</u>	<u>1,868,849</u>	<u>3,394,534</u>	<u>-</u>	<u>621,650</u>	<u>12,039,371</u>
Fund balances:						
Nonspendable	592,354	-	44,505	-	118,004	754,863
Restricted	653,152	834,758	75,628,666	21,775,769	5,825,947	104,718,292
Assigned	4,473,868	-	-	-	-	4,473,868
Unassigned	<u>22,214,457</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,214,457</u>
Total fund balances	<u>27,933,831</u>	<u>834,758</u>	<u>75,673,171</u>	<u>21,775,769</u>	<u>5,943,951</u>	<u>132,161,480</u>
Total liabilities and fund balances	<u>\$ 34,088,169</u>	<u>\$ 2,703,607</u>	<u>\$ 79,067,705</u>	<u>\$ 21,775,769</u>	<u>\$ 6,565,601</u>	<u>\$ 144,200,851</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, 2020

Total fund balances - Governmental Funds		\$ 132,161,480
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 \$304,108,976 and the accumulated depreciation is \$133,899,851 (Note 4).		170,209,125
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred.		(2,958,085)
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, 2020 consisted of (Note 5):		
General Obligation Bonds	\$ (166,415,000)	
Unamortized premiums	(12,701,278)	
Certificates of Participation	(12,013,124)	
Due to Santa Clara County Office of Education (SCCOE)	(24,331)	
Total OPEB liability (Note 9)	(14,889,480)	
Net pension liability (Notes 7 and 8)	(128,638,000)	
Compensated absences	(626,845)	(335,308,058)
Losses on refundings of debt are categorized as deferred outflows and are amortized over the life of the related debt.		
		238,601
In government 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	32,830,431	
Deferred inflows of resources relating to pensions	(8,411,000)	24,419,431
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	1,241,787	
Deferred inflows of resources relating to OPEB	(4,430,891)	(3,189,104)
Total net position - governmental activities		\$ (14,426,610)

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, 2020

	General Fund	Adult Education Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
Revenues:						
Local Control Funding Formula (LCFF):						
State apportionment	\$ 21,286,968	\$ -	\$ -	\$ -	\$ -	\$ 21,286,968
Local sources	<u>75,713,409</u>	-	-	-	-	<u>75,713,409</u>
Total LCFF	<u>97,000,377</u>	-	-	-	-	<u>97,000,377</u>
Federal sources	3,948,555	421,705	-	-	2,272,804	6,643,064
Other state sources	12,365,955	3,259,938	-	72,318	1,414,432	17,112,643
Other local sources	<u>8,554,223</u>	<u>32,094</u>	<u>7,886,818</u>	<u>20,449,962</u>	<u>2,727,083</u>	<u>39,650,180</u>
Total revenues	<u>121,869,110</u>	<u>3,713,737</u>	<u>7,886,818</u>	<u>20,522,280</u>	<u>6,414,319</u>	<u>160,406,264</u>
Expenditures:						
Current:						
Certificated salaries	56,666,579	2,047,271	-	-	693,088	59,406,938
Classified salaries	16,458,225	490,450	427,920	-	2,107,141	19,483,736
Employee benefits	31,149,810	1,066,017	212,870	-	1,330,828	33,759,525
Books and supplies	4,518,453	67,930	518,212	-	1,072,578	6,177,173
Contract services and operating expenditures	12,072,940	54,183	1,183,459	-	362,646	13,673,228
Other outgo	5,763,336	-	-	-	-	5,763,336
Capital outlay	1,154,387	-	14,313,117	-	156,341	15,623,845
Debt service:						
Principal retirement	24,331	-	768,737	4,900,000	-	5,693,068
Interest	-	-	349,477	6,411,179	-	6,760,656
Total expenditures	<u>127,808,061</u>	<u>3,725,851</u>	<u>17,773,792</u>	<u>11,311,179</u>	<u>5,722,622</u>	<u>166,341,505</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(5,938,951)</u>	<u>(12,114)</u>	<u>(9,886,974)</u>	<u>9,211,101</u>	<u>691,697</u>	<u>(5,935,241)</u>
Other financing sources (uses):						
Transfers in	1,583,036	59,000	-	-	400,000	2,042,036
Transfers out	<u>(59,000)</u>	<u>(133,036)</u>	<u>(1,850,000)</u>	-	-	<u>(2,042,036)</u>
Total other financing sources (uses)	<u>1,524,036</u>	<u>(74,036)</u>	<u>(1,850,000)</u>	-	400,000	-
Change in fund balances	(4,414,915)	(86,150)	(11,736,974)	9,211,101	1,091,697	(5,935,241)
Fund balances, July 1, 2019	<u>32,348,746</u>	<u>920,908</u>	<u>87,410,145</u>	<u>12,564,668</u>	<u>4,852,254</u>	<u>138,096,721</u>
Fund balances, June 30, 2020	<u>\$ 27,933,831</u>	<u>\$ 834,758</u>	<u>\$ 75,673,171</u>	<u>\$ 21,775,769</u>	<u>\$ 5,943,951</u>	<u>\$ 132,161,480</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, 2020

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Net change in fund balances - Total Governmental Funds	\$ (5,935,241)
Amounts reported for governmental activities in the statement of activities are different because:	
Acquisition of capital assets is an expenditure in governmental funds, but increases capital assets in the statement of net position (Note 4).	18,488,965
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(9,260,035)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5).	5,693,068
In governmental funds, donated capital assets are not reported because they do not affect current financial resources. In the government-wide statements, donated capital assets are reported as revenue and as increases to capital assets.	2,083,500
In governmental funds, debt issued at a premium is recognized as other financing source. In the government-wide statements premiums are amortized with interest over the life of the debt (Note 5).	971,813
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.	(196,625)
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.	(589,838)
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:	903,223

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(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, 2020

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In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. The difference between accrual-basis pension costs and actual District contributions was: \$ (6,521,194)

In the statement of activities, expenditures related to compensated absences are measured by the amounts earned during the year. In governmental funds, expenditures are measured by the amount of financial resources used (Note 5). (361,402)

Change in net position of governmental activities \$ 5,276,234

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See accompanying notes to financial statements.

MILPITAS UNIFIED SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUND  
June 30, 2020

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	Student Body Fund
<b>ASSETS</b>	
Cash on hand and in bank (Note 2)	\$ 336,760
Total assets	<u>\$ 336,760</u>
<b>LIABILITIES</b>	
Due to student groups	<u>336,760</u>
Total liabilities	<u>\$ 336,760</u>

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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 Assets and Liabilities.

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.

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(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.

*Adult Education Fund* - The Adult Education Fund is a special revenue fund used to account for federal, state, and local revenues which have been restricted for adult education programs.

*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* - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This classification includes the Child Development, Cafeteria and Deferred Maintenance Funds.

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

*Agency Fund* - The Agency Fund is a fiduciary fund for which the District acts as an agent. The District operates one Agency Fund, the Student Body Fund, which accounts for all cash activity and assets of the various student bodies of the District.

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.

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(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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**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, 2020.

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

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

Compensated Absences: Compensated absences totaling \$626,845 are recorded as a liability of the District. The liability is for the earned but unused benefits.

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

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

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

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

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

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(Continued)



MILPITAS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	\$ 24,080,484	\$ 8,749,947	\$ 32,830,431
Deferred inflows of resources	\$ 8,067,000	\$ 344,000	\$ 8,411,000
Net pension liability	\$ 91,520,000	\$ 37,118,000	\$ 128,638,000
Pension expense	\$ 19,932,607	\$ 8,466,838	\$ 28,399,445

**Net Position:** Net position is displayed in three components:

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

*Restricted Net Position* - Restrictions of the ending net position indicate the portions of net position not 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, store's inventory and prepaid expenditures.

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

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(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**C - Committed Fund Balance:** The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance. As of June 30, 2020, the District had no committed fund balances.

**D - Assigned Fund Balance:** The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. While the Board of Trustees has empowered members of management to suggest individual amounts to be assigned, as of June 30, 2020 no formal designation of assignment authority has occurred and the Board of Trustees retains ultimate authority for assigning fund balance.

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

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

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

While GASB Cod. Sec. 1300 and 1800 do not require districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2020, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

**Custodial Relationships:** The Agency Fund represents the assets and liabilities of various student organizations within the District. As the funds are custodial in nature, no measurement of operating results is involved.

**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.

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(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

**NOTE 2 - CASH AND INVESTMENTS**

Cash and investments at June 30, 2020 are reported at fair value and consisted of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Pooled Funds:		
Cash in County Treasury	\$ 132,421,949	\$ -
Deposits:		
Cash on hand and in banks	170,686	336,760
Cash in revolving fund	19,088	-
Total cash and investments	\$ 132,611,723	\$ 336,760

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, 2020, 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, 2020, the carrying amount and bank balances of the District's accounts totaled \$526,534 and \$541,715, respectively. Uninsured bank balances at June 30, 2020 totaled \$163,345.

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, 2020, 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, 2020, the District had no concentration of credit risk.

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(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2020

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**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, 2020 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 2,343,991	\$ 23,477
Adult Education	2,200	1,811,712
Building	28,491	4,148
Non-Major Funds:		
Child Development	-	35,345
Cafeteria	-	500,000
	<hr/>	<hr/>
Totals	<u>\$ 2,374,682</u>	<u>\$ 2,374,682</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 2019-2020 fiscal year were as follows:

Transfer from the Adult Education Fund to the General Fund for indirect costs support.	\$ 133,036
Transfer from the Building Fund to the General Fund to provide reserves toward to 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 General Fund to the Adult Education Fund to provide operational support.	<hr/> 59,000
	<hr/> <u>\$ 2,042,036</u>

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(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 4 - CAPITAL ASSETS**

A schedule of changes in capital assets for the year ended June 30, 2020 is shown below:

	Balance July 1, <u>2019</u>	<u>Additions</u>	Transfers and <u>Deducations</u>	Balance June 30, <u>2020</u>
<u>Governmental Activities</u>				
Non-depreciable:				
Land	\$ 22,771,808	\$ -	\$ -	\$ 22,771,808
Work-in-process	5,516,548	18,098,496	(5,843,792)	17,771,252
Depreciable:				
Buildings	77,662,147	-	-	77,662,147
Land improvements	147,553,818	-	5,843,792	153,397,610
Furniture and equipment	<u>30,032,190</u>	<u>2,473,969</u>	<u>-</u>	<u>32,506,159</u>
Totals, at cost	<u>283,536,511</u>	<u>20,572,465</u>	<u>-</u>	<u>304,108,976</u>
Less accumulated depreciation:				
Buildings	(33,992,484)	(1,287,322)	-	(35,279,806)
Land improvements	(75,515,809)	(6,453,111)	-	(81,968,920)
Furniture and equipment	<u>(15,131,523)</u>	<u>(1,519,602)</u>	<u>-</u>	<u>(16,651,125)</u>
Total accumulated depreciation	<u>(124,639,816)</u>	<u>(9,260,035)</u>	<u>-</u>	<u>(133,899,851)</u>
Capital assets, net	<u>\$ 158,896,695</u>	<u>\$ 11,312,430</u>	<u>\$ -</u>	<u>\$ 170,209,125</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 3,145,667
Home-to-school transportation	6,313
Food services	17,932
General administration	5,753,878
Data processing	146,339
Plant services	<u>189,906</u>
Total depreciation expense	<u>\$ 9,260,035</u>

(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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**NOTE 5 - LONG-TERM LIABILITIES**

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

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

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

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

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

The General Obligation Bonds outstanding as of June 30, 2020 are scheduled to mature as follows.

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 16,220,000	\$ 6,711,462	\$ 22,931,462
2022	15,455,000	5,937,062	21,392,062
2023	6,285,000	5,409,037	11,694,037
2024	6,775,000	5,092,587	11,867,587
2025	7,290,000	4,746,262	12,036,262
2026-2030	23,330,000	20,356,125	43,686,125
2031-2035	34,940,000	14,129,694	49,069,694
2036-2040	34,660,000	5,943,014	40,603,014
2041-2045	<u>21,460,000</u>	<u>1,742,231</u>	<u>23,202,231</u>
	<u>\$ 166,415,000</u>	<u>\$ 70,067,474</u>	<u>\$ 236,482,474</u>

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(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 5 - LONG-TERM LIABILITIES** (Continued)

A summary of General Obligation Bonds outstanding as of June 30, 2020 follows.

Series	Interest Rate	Original Maturity	Balance July 1, 2019	Current Year Issuances	Current Year Maturities	Balance June 30, 2020
2010 GO Refunding Bonds	2.0-4.0%	2021	\$ 2,645,000	\$ -	\$ 1,295,000	\$ 1,350,000
Election of 2012, Series A	1.5-5.0%	2038	44,500,000	-	-	44,500,000
Election of 2012, Series B	1.0-5.0%	2038	31,200,000	-	1,755,000	29,445,000
2014 GO Refunding Bonds	1.0-5.0%	2025	17,970,000	-	1,850,000	16,120,000
Election of 2018 Series A	3.0-5.0%	2045	75,000,000	-	-	75,000,000
			<u>\$ 171,315,000</u>	<u>\$ -</u>	<u>\$ 4,900,000</u>	<u>\$ 166,415,000</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 2.6% to 3.92%, maturing on December 30, 2031.

Scheduled payments for the 2015 COPs are as follows:

Year Ending June 30.	Payments
2021	\$ 1,164,038
2022	1,209,602
2023	1,249,554
2024	1,284,666
2025	1,302,190
2026-2030	6,165,359
2031-2032	<u>1,607,694</u>
Total Payments	13,983,103
Less amount representing interest	<u>(1,969,979)</u>
Net present value of minimum payments	<u>\$ 12,013,124</u>

Due to SCCOE: During the 2005 fiscal year, the District was notified by the Santa Clara County Office of Education (SCCOE) that the SCCOE's District Business Advisory Services group had posted erroneous entries to the District's cash account in prior years, resulting in an overstatement of Cash in County Treasury for the District's Building Fund. The SCCOE determined that the District owed \$364,965 to correct this issue, and agreed to allow the District to make equal payments of \$24,331 to SCCOE over 15 years. As of June 30, 2020, the balance outstanding was \$24,331.

(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 5 - LONG-TERM LIABILITIES (Continued)**

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2020 is shown below:

<u>Governmental Activities</u>	Balance July 30, 2019	<u>Additions</u>	<u>Deletions</u>	Balance June 30, 2020	Amounts Due Within One Year
<u>Debt:</u>					
General Obligation Bonds	\$ 171,315,000	\$ -	\$ 4,900,000	\$ 166,415,000	\$ 16,220,000
Unamortized premiums	13,673,091	-	971,813	12,701,278	971,809
Certificates of Participation	12,781,861	-	768,737	12,013,124	836,842
<u>Other long-term liabilities:</u>					
Due to SCCOE	48,662	-	24,331	24,331	24,331
Total OPEB liability (Note 9)	14,781,286	108,194	-	14,889,480	-
Net pension liability (Notes 7 & 8)	124,796,000	3,842,000	-	128,638,000	-
Compensated absences	265,443	361,402	-	626,845	-
	<u>\$ 337,661,343</u>	<u>\$ 4,311,596</u>	<u>\$ 6,664,881</u>	<u>\$ 335,308,058</u>	<u>\$ 18,052,982</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, 2020

**NOTE 6 - FUND BALANCES**

Fund balances, by category, at June 30, 2020 consisted of the following:

	General Fund	Adult Education 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	311,028	-	-	-	109,120	420,148
Prepaid expenditures	<u>266,326</u>	<u>-</u>	<u>44,505</u>	<u>-</u>	<u>4,796</u>	<u>315,627</u>
Subtotal nonspendable	<u>592,354</u>	<u>-</u>	<u>44,505</u>	<u>-</u>	<u>118,004</u>	<u>754,863</u>
Restricted:						
Legally restricted programs	653,152	834,758	-	-	497,957	1,985,867
Capital projects	-	-	75,628,666	-	5,327,990	80,956,656
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,775,769</u>	<u>-</u>	<u>21,775,769</u>
Subtotal restricted	<u>653,152</u>	<u>834,758</u>	<u>75,628,666</u>	<u>21,775,769</u>	<u>5,825,947</u>	<u>104,718,292</u>
Assigned:						
Other postemployment benefits	1,779,629	-	-	-	-	1,779,629
Worker's Comp	256,535	-	-	-	-	256,535
Program Carryover	<u>2,437,704</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,437,704</u>
Subtotal assigned	<u>4,473,868</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,473,868</u>
Unassigned:						
Reserved for economic uncertainty	20,187,355	-	-	-	-	20,187,355
Unassigned:	<u>2,027,102</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,027,102</u>
Subtotal unassigned	<u>22,214,457</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,214,457</u>
Total fund balances	<u>\$ 27,933,831</u>	<u>\$ 834,758</u>	<u>\$ 75,673,171</u>	<u>\$ 21,775,769</u>	<u>\$ 5,943,951</u>	<u>\$132,161,480</u>

(Continued)

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

### *General Information about the State Teachers' Retirement Plan*

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

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

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

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

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

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.

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**NOTE 7 – 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. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

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

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

A summary of statutory contribution rates and other sources of contributions to the DB Program are as follows:

*Members* - Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2018-19. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 10.205 percent of applicable member earnings for fiscal year 2019-2020.

In general, member contributions cannot increase unless members are provided with some type of "comparable advantage" in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2 percent annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this "comparable advantage," the member contribution rates have been increased by an amount that covers a portion of the cost of the 2 percent annual benefit adjustment.

*Employers* – 17.10 percent of applicable member earnings. 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.

In accordance with AB 1469, employer contributions will increase from 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The legislation also gives the board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

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(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2020

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

The CalSTRS employer contribution rate increases effective for fiscal year 2019-20 through fiscal year 2045-46 are summarized in the table below:

<u>Effective Date</u>	<u>Prior Rate</u> <sup>(1)</sup>	<u>Increase</u>	<u>Total</u>
July 01, 2019	8.25%	9.88%	18.13% <sup>(1)</sup>
July 01, 2020	8.25%	10.85%	19.10% <sup>(2)</sup>
July 01, 2021 to June 30, 2046	8.25%	(3)	(3)
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

(1) This rate does not reflect the reduction of employer contributions to be paid by the employer for fiscal year 2019–20 by 1.03 percentage points pursuant to SB 90.

(2) This rate does not reflect the reduction of employer contributions to be paid by the employer for fiscal year 2020–21 by 2.95 percentage points pursuant to SB 90 and AB 84.

(3) The CalSTRS Funding Plan authorizes the board to adjust the employer contribution rate up or down 1% each year, but no higher than 20.25% total and no lower than 8.25%.

The District contributed \$9,788,484 to the plan for the fiscal year ended June 30, 2020.

*State* – 10.328 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

As a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046.

The state's base contribution to the DB Program is calculated based on creditable compensation from two fiscal years prior. The state rate increased to 5.811 percent on July 1, 2019, to continue paying down the unfunded liabilities associated with the benefits structure that was in place in 1990 prior to certain enhancements in benefits and reductions in contributions. Additionally, the enactment of SB 90 will result in future supplemental contributions to be made by the state to pay down its portion of the unfunded actuarial obligation of the Defined Benefit Program in fiscal years 2019-20 through 2022–23.

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(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

The CalSTRS state contribution rates effective for fiscal year 2019-20 and beyond are summarized in the table below.

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding<sup>(1)</sup></u>	<u>Total State Appropriation to DB Program</u>
July 01, 2019	2.017%	5.811%	2.50%	10.328% <sup>(2)</sup>
July 01, 2020	2.017%	5.811% <sup>(3)</sup>	2.50%	10.328% <sup>(2)</sup>
July 01, 2021 to June 30, 2046	2.017%	(4)	2.50%	(4)
July 01, 2046 and thereafter	2.017%	(5)	2.50%	(5)

(1) This rate does not include the \$72 million reduction in accordance with Education Code Section 22954.

(2) In May 2020, the CalSTRS board exercised its limited authority to increase the state contribution rate by 0.5% of the creditable compensation effective July 1, 2020. However, pursuant to AB 84, the state suspended the board's rate-setting authority for state contributions for fiscal year 2020–21, thereby negating the board's rate increase of 0.5%.

(3) This rate does not include the \$2.2 billion supplemental state contribution on behalf of employers pursuant to SB 90.

(4) The CalSTRS board has limited authority to adjust state contribution rates annually through June 30, 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to zero percent.

(5) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining 1990 unfunded actuarial obligation.

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

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

District's proportionate share of the net pension liability	\$ 91,520,000
State's proportionate share of the net pension liability associated with the District	<u>49,931,000</u>
Total	<u>\$ 141,451,000</u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. 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, 2019, the District's proportion was 0.101 percent, which was an increase of 0.002 percent of its proportion measured as of June 30, 2018.

(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

For the year ended June 30, 2020, the District recognized pension expense of \$19,932,607, and revenue of \$8,423,817 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 231,000	\$ 2,579,000
Changes of assumptions	11,575,000	-
Net differences between projected and actual earnings on investments	-	3,525,000
Changes in proportion and differences between District contributions and proportionate share of contributions	2,486,000	1,963,000
Contributions made subsequent to measurement date	<u>9,788,484</u>	<u>-</u>
Total	<u>\$ 24,080,484</u>	<u>\$ 8,067,000</u>

\$9,788,484 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, 2021. 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>	
2021	\$ 1,926,533
2022	\$ (520,467)
2023	\$ 1,858,533
2024	\$ 2,845,533
2025	\$ 160,033
2026	\$ (45,165)

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 June 30, 2019 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.

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(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2020

**NOTE 7 – 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, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2018
Experience Study	July 1, 2010 through June 30, 2015
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 Not applicable for DBS/CBB

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the CalSTRS board in February 2017 in conjunction with the most recent experience study. For each 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>
Global Equity	47%	4.80%
Fixed Income	12	1.30
Real Estate	13	3.60
Private Equity	13	6.30
Absolute Return / Risk Mitigating Strategies	9	1.80
Inflation Sensitive	4	3.30
Cash / Liquidity	2	(0.40)

\* 20-year geometric average.

(Continued)

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

Discount Rate: The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed 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.

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 (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	\$ 136,281,000	\$ 91,520,000	\$ 54,405,000

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

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

*General Information about the Public Employer's Retirement Fund B*

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

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

<https://www.calpers.ca.gov/docs/forms-publications/cafr-2019.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.

(Continued)



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

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, 2020 were as follows:

*Members* - The member contribution rate was 7.0 percent of applicable member earnings for fiscal year 2019-2020.

*Employers* - The employer contribution rate was 19.72 percent of applicable member earnings.

The District contributed \$3,665,947 to the plan for the fiscal year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$37,118,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. 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, 2019, the District’s proportion was 0.127 percent, which was an increase of 0.002 percent from its proportion measured as of June 30, 2018.

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(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

For the year ended June 30, 2020, the District recognized pension expense of \$8,466,838. At June 30, 2020, 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	\$ 2,696,000	\$ -
Changes of assumptions	1,767,000	-
Net differences between projected and actual earnings on investments	-	344,000
Changes in proportion and differences between District contributions and proportionate share of contributions	621,000	-
Contributions made subsequent to measurement date	<u>3,665,947</u>	<u>-</u>
Total	<u>\$ 8,749,947</u>	<u>\$ 344,000</u>

\$3,665,947 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, 2021. 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>	
2021	\$ 3,429,500
2022	\$ 755,500
2023	\$ 457,500
2024	\$ 97,500

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, 2019 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.

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(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2018
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

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.

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

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<sup>(1)</sup></u>	<u>Expected Real Rate of Return Years 11+<sup>(2)</sup></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.

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(Continued)

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

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.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected cash flows of the Plan. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan’s 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. 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 equivalent 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 (6.15percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District’s proportionate share of the net pension liability	\$ 53,504,000	\$ 37,118,000	\$ 23,526,000

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

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

*General Information about the Other Postemployment Benefits Plan*

Plan Description: In addition to the pension benefits described in Notes 7 and 8, the District provides healthcare benefits to eligible employees who retire from the District, as part of a single-employer defined benefit postemployment health care plan (the "Plan"). The Plan is administered by the District and allows employees who retire after having achieved retirement eligibility requirements to continue receiving medical, dental, vision, or life insurance coverage. The District's Board of Education has the authority to establish or amend the benefit terms offered by the Plan. The District's Board of Education also retains the authority to establish the requirements for paying for the Plan's benefits as they come due. As of June 30, 2020 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, 2020:

	<u>Participants</u>
Inactive Plan Members, Covered Spouses, or Beneficiaries	
Currently Receiving Benefits	75
Active employees	<u>338</u>
	<u>413</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 \$995,812 for the year ended June 30, 2020. Employees are not required to contribute to the OPEB plan.

(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

Total OPEB Liability: The District's total OPEB liability was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions and Other Inputs: The total OPEB liability in the June 30, 2019 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, 2018
<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>	2.79%.
<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 2014 CalPERS OPEB Assumptions Model (for classified employees) and from the 2016 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).

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(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2020

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

Health Claims

Medical claims were estimated for year ended June 30, 2020. 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 2.79%. 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, 2019	\$ <u>14,781,286</u>
Changes for the year:	
Service cost	465,308
Interest	425,645
Changes in assumptions	213,053
Benefit payments	<u>(995,812)</u>
Net change	<u>108,194</u>
Balance at June 30, 2020	\$ <u><u>14,889,480</u></u>

Changes in assumptions include an update in the discount rate from 2.98% in the prior measurement, to 2.79% in the current measurement performed as of June 30, 2019. There were no changes in plan benefits or eligible members between the measurement date and the year ended June 30, 2020 which had a significant effect on the District's total OPEB liability.

(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

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

	1% Decrease <u>(1.79%)</u>	Current Discount Rate <u>(2.79%)</u>	1% Increase <u>(3.79%)</u>
Total OPEB liability	\$ 16,073,557	\$ 14,889,480	\$ 13,808,970

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

	1% Decrease <u>(4.50%)</u>	Healthcare Cost Trend Rates Rate <u>(5.5%)</u>	1% Increase <u>(6.50%)</u>
Total OPEB liability	\$ 13,938,940	\$ 14,889,480	\$ 15,968,971

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$408,262. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows <u>of Resources</u>	Deferred Inflows <u>of Resources</u>
Difference between expected and actual experience	\$ -	\$ 3,953,296
Changes of assumptions	329,335	477,595
Contributions made subsequent to measurement date	<u>912,452</u>	<u>-</u>
Total	<u>\$ 1,241,787</u>	<u>\$ 4,430,891</u>

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(Continued)



MILPITAS UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

\$912,452 reported as deferred outflows of resources related to contributions made subsequent to the measurement date will be recognized as a reduction of the total OPEB liability during the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows.

Year Ending <u>June 30,</u>	
2021	\$ (482,691)
2022	\$ (482,691)
2023	\$ (482,691)
2024	\$ (482,691)
2025	\$ (482,691)
Thereafter	\$ (1,688,101)

**NOTE 10 - JOINT POWERS AGREEMENTS**

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

Condensed financial information for the District's JPAs at June 30, 2019 (the latest information available) is provided below:

	<u>Metro Ed</u>	<u>SCCSIG</u>	<u>EVSTA</u>	<u>SBASIA</u>
Total assets	\$ 48,428,493	\$ 26,104,195	\$ 1,098,177	\$ 6,428,609
Total deferred outflows of resources	\$ 4,174,997	\$ 260,099	\$ -	\$ -
Total liabilities	\$ 19,675,148	\$ 9,302,091	\$ 813,896	\$ 5,148,505
Total deferred inflows of resources	\$ 2,402,603	\$ 44,693	\$ -	\$ -
Net position	\$ 30,525,739	\$ 17,017,510	\$ 284,281	\$ 1,280,104
Total revenues	\$ 22,596,484	\$ 37,649,118	\$ 2,522,321	\$ 4,232,138
Total expenditures	\$ 19,708,584	\$ 36,046,702	\$ 2,522,321	\$ 3,761,693
Change in net position	\$ 2,887,900	\$ 1,602,416	\$ -	\$ 470,445

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(Continued)

**NOTE 11 - COMMITMENTS AND CONTINGENCIES**

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

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

At June 30, 2020 the District had commitments for capital construction projects totaling approximately \$12.5 million.

**NOTE 12 – COVID-19 PANDEMIC IMPACT**

In December 2019, a novel strain of coronavirus surfaced (COVID-19) and spread around the world, with resulting business and social disruption. In response to the pandemic and in compliance with various state and local ordinances, the District closed physical campuses and transitioned to a distance learning model. On March 13, 2020, the Governor of California issued Executive Order N-26 – 20, guaranteeing state funding to support the continued payment of salaries and benefits to all employees through June 30, 2020.

The operations and business results of the District could be adversely affected in the future including a reduction in the level of funding and impact to the timing of cash flows. In addition, significant estimates may be adversely impacted by national, state and local events designed to contain the coronavirus. Debt ratings for outstanding issuances may further be impacted. For the 2021 school year, the District is offering instruction in formats consistent with local health guidelines. Throughout the pandemic the District has put into practice a number of safety measures to protect students and employees and will continue to revise them as needed.

**NOTE 14 – SUBSEQUENT EVENT**

On July 23, 2020, the District issued 2020 General Obligation Refunding Bonds (2020 Refunding Bonds) totaling \$46,660,000. Proceeds from the issuance of the 2020 Refunding Bonds will be used to advance refund certain maturities of the District's Election 2012 Series A Bonds. The 2020 Refunding Bonds bear interest at rates ranging from .337% to 2.401%, are scheduled to mature through August 1, 2037.

**REQUIRED SUPPLEMENTARY INFORMATION**

MILPITAS UNIFIED SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2020

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 24,713,809	\$ 24,713,809	\$ 21,286,968	\$ (3,426,841)
Local sources	<u>70,085,150</u>	<u>70,412,818</u>	<u>75,713,409</u>	<u>5,300,591</u>
Total LCFF	<u>94,798,959</u>	<u>95,126,627</u>	<u>97,000,377</u>	<u>1,873,750</u>
Federal sources	3,660,452	4,080,728	3,948,555	(132,173)
Other state sources	7,923,751	10,358,950	12,365,955	2,007,005
Other local sources	<u>8,958,343</u>	<u>9,823,311</u>	<u>8,554,223</u>	<u>(1,269,088)</u>
Total revenues	<u>115,341,505</u>	<u>119,389,616</u>	<u>121,869,110</u>	<u>2,479,494</u>
Expenditures:				
Current:				
Certificated salaries	58,230,018	56,528,034	56,666,579	(138,545)
Classified salaries	17,206,537	16,271,328	16,458,225	(186,897)
Employee benefits	29,751,470	28,575,761	31,149,810	(2,574,049)
Books and supplies	4,010,654	7,265,202	4,518,453	2,746,749
Contract services and operating expenditures	9,101,649	13,552,595	12,072,940	1,479,655
Other outgo	5,985,419	5,731,361	5,763,336	(31,975)
Capital outlay	25,000	1,651,823	1,154,387	497,436
Debt service:				
Principal retirement	770,129	24,331	24,331	-
Interest	<u>348,086</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>125,428,962</u>	<u>129,600,435</u>	<u>127,808,061</u>	<u>1,792,374</u>
Deficiency of revenues under expenditures	<u>(10,087,457)</u>	<u>(10,210,819)</u>	<u>(5,938,951)</u>	<u>4,271,868</u>
Other financing sources (uses):				
Transfers in	4,440,841	2,345,039	1,583,036	(762,003)
Transfers out	<u>(10,540)</u>	<u>(212,706)</u>	<u>(59,000)</u>	<u>153,706</u>
Total other financing sources (uses)	<u>4,430,301</u>	<u>2,132,333</u>	<u>1,524,036</u>	<u>(608,297)</u>
Change in fund balance	(5,657,156)	(8,078,486)	(4,414,915)	3,663,571
Fund balance, July 1, 2019	<u>32,348,746</u>	<u>32,348,746</u>	<u>32,348,746</u>	<u>-</u>
Fund balance, June 30, 2020	<u>\$ 26,691,590</u>	<u>\$ 24,270,260</u>	<u>\$ 27,933,831</u>	<u>\$ 3,663,571</u>

MILPITAS UNIFIED SCHOOL DISTRICT  
ADULT EDUCATION FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2020

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues:</b>				
Federal sources	\$ 637,871	\$ 421,705	\$ 421,705	\$ -
Other state sources	2,949,060	2,637,956	3,259,938	621,982
Other local sources	<u>77,869</u>	<u>41,642</u>	<u>32,094</u>	<u>(9,548)</u>
 Total revenues	 <u>3,664,800</u>	 <u>3,101,303</u>	 <u>3,713,737</u>	 <u>612,434</u>
<b>Expenditures:</b>				
Current:				
Certificated salaries	2,052,531	1,954,635	2,047,271	(92,636)
Classified salaries	475,778	500,442	490,450	9,992
Employee benefits	1,085,362	857,268	1,066,017	(208,749)
Books and supplies	61,758	68,005	67,930	75
Contract services and operating expenditures	<u>105,014</u>	<u>58,118</u>	<u>54,183</u>	<u>-</u> <u>3,935</u>
 Total expenditures	 <u>3,780,443</u>	 <u>3,438,468</u>	 <u>3,725,851</u>	 <u>(287,383)</u>
 Deficiency of revenues under expenditures	 <u>(115,643)</u>	 <u>(337,165)</u>	 <u>(12,114)</u>	 <u>325,051</u>
<b>Other financing (uses) sources:</b>				
Transfers in	39,000	59,000	59,000	-
Transfers out	<u>(128,475)</u>	<u>(121,573)</u>	<u>(133,036)</u>	<u>(11,463)</u>
 Total other financing (uses) sources	 <u>(89,475)</u>	 <u>(62,573)</u>	 <u>(74,036)</u>	 <u>(11,463)</u>
 Change in fund balance	 (205,118)	 (399,738)	 (86,150)	 313,588
 Fund balance, July 1, 2019	 <u>920,908</u>	 <u>920,908</u>	 <u>920,908</u>	 <u>-</u>
 Fund balance, June 30, 2020	 <u>\$ 715,790</u>	 <u>\$ 521,170</u>	 <u>\$ 834,758</u>	 <u>\$ 313,588</u>

MILPITAS UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL  
OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY  
For the Year Ended June 30, 2020

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	Last 10 Fiscal Years		
	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total OPEB liability			
Service cost	\$ 771,833	\$ 734,924	\$ 465,308
Interest	514,785	584,240	425,645
Differences between actual and expected experience	-	(4,872,668)	-
Change in assumptions	(654,481)	168,097	213,053
Benefit payments	<u>(925,857)</u>	<u>(998,262)</u>	<u>(995,812)</u>
Net change in total OPEB liability	(293,720)	(4,383,669)	108,194
Total OPEB liability, beginning of year	<u>19,458,675</u>	<u>19,164,955</u>	<u>14,781,286</u>
Total OPEB liability, end of year	<u>\$ 19,164,955</u>	<u>\$ 14,781,286</u>	<u>\$ 14,889,480</u>
Covered employee payroll	\$ 71,141,497	\$ 30,802,822	\$ 32,106,440
Total OPEB liability as a percentage of covered-employee payroll	26.94%	47.99%	46.38%

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.

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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, 2020

	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>
District's proportion of the net pension	0.102%	0.101%	0.102%	0.098%	0.099%	0.101%
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
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>
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>
District's covered payroll	\$ 45,332,000	\$ 47,052,000	\$ 50,729,000	\$ 51,676,000	\$ 52,997,000	\$ 55,427,000
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%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%	70.99%	72.56%

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, 2020

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	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>
District's proportion of the net pension	0.118%	0.120%	0.122%	0.122%	0.125%	0.127%
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
District's covered payroll	\$ 12,350,000	\$ 13,328,000	\$ 14,691,000	\$ 15,606,000	\$ 16,689,000	\$ 17,738,000
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%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%	70.85%	70.05%

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.

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See accompanying note to required supplementary information.



MILPITAS UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
 For the Year Ended June 30, 2020

	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>
Contractually required contribution	\$ 4,178,191	\$ 5,443,249	\$ 6,524,314	\$ 7,647,454	\$ 9,030,790	\$ 9,788,484
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>
Contribution deficiency (excess)	<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	\$ 53,991,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%	16.29%	17.10% *

\* 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.

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, 2020

	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>
Contractually required contribution	\$ 1,568,810	\$ 1,740,455	\$ 2,168,914	\$ 2,591,913	\$ 3,203,838	\$ 3,665,947
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>
Contribution deficiency (excess)	<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	\$ 18,589,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%	18.06%	19.72%

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, 2020

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**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 and 2.79 percent as of the June 30, 2018 and 2019 measurement periods, respectively.

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

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(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2020

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**NOTE 1 - PURPOSE OF SCHEDULES** (Continued)

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

<u>Assumption</u>	<u>Measurement Period</u>				
	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%	3.00%	3.00%
Investment rate of return	7.10%	7.10%	7.10%	7.60%	7.60%
Wage growth	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, 2020

	Child Develop- ment <u>Fund</u>	Cafeteria <u>Fund</u>	Deferred Mainten- ance <u>Fund</u>	Capital Facilities <u>Fund</u>	<u>Total</u>
<b>ASSETS</b>					
Cash in County Treasury	\$ 2,080	\$ 502,318	\$ 123,642	\$ 5,318,846	\$ 5,946,886
Cash in revolving fund	-	4,088	-	-	4,088
Receivables	161,907	316,327	866	21,611	500,711
Stores inventory	-	109,120	-	-	109,120
Prepaid expenditures	-	-	-	4,796	4,796
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 163,987</u>	<u>\$ 931,853</u>	<u>\$ 124,508</u>	<u>\$ 5,345,253</u>	<u>\$ 6,565,601</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 32,231	\$ 33,059	\$ 4,948	\$ 12,467	\$ 82,705
Unearned revenue	-	3,600	-	-	3,600
Due to other funds	35,345	500,000	-	-	535,345
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>67,576</u>	<u>536,659</u>	<u>4,948</u>	<u>12,467</u>	<u>621,650</u>
Fund balances:					
Nonspendable	-	113,208	-	4,796	118,004
Restricted	96,411	281,986	119,560	5,327,990	5,825,947
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balance	<u>96,411</u>	<u>395,194</u>	<u>119,560</u>	<u>5,332,786</u>	<u>5,943,951</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 163,987</u>	<u>\$ 931,853</u>	<u>\$ 124,508</u>	<u>\$ 5,345,253</u>	<u>\$ 6,565,601</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, 2020

	Child Develop- ment Fund	Cafeteria Fund	Deferred Mainten- ance Fund	Capital Facilities Fund	Total
Revenues:					
Federal sources	\$ 129,336	\$ 2,143,468	\$ -	\$ -	\$ 2,272,804
Other state sources	1,229,423	185,009	-	-	1,414,432
Other local sources	<u>534,881</u>	<u>1,184,163</u>	<u>3,108</u>	<u>1,004,931</u>	<u>2,727,083</u>
 Total revenues	 <u>1,893,640</u>	 <u>3,512,640</u>	 <u>3,108</u>	 <u>1,004,931</u>	 <u>6,414,319</u>
Expenditures:					
Current:					
Certificated salaries	693,088	-	-	-	693,088
Classified salaries	486,202	1,598,450	-	22,489	2,107,141
Employee benefits	516,969	803,969	-	9,890	1,330,828
Books and supplies	13,170	999,619	59,789	-	1,072,578
Contract services and operating expenditures	87,800	(5,043)	174,293	105,596	362,646
Capital outlay	<u>-</u>	<u>-</u>	<u>156,341</u>	<u>-</u>	<u>156,341</u>
 Total expenditures	 <u>1,797,229</u>	 <u>3,396,995</u>	 <u>390,423</u>	 <u>137,975</u>	 <u>5,722,622</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>96,411</u>	 <u>115,645</u>	 <u>(387,315)</u>	 <u>866,956</u>	 <u>691,697</u>
Other financing sources:					
Transfers in	<u>-</u>	<u>-</u>	<u>400,000</u>	<u>-</u>	<u>400,000</u>
 Net change in fund balances	 96,411	 115,645	 12,685	 866,956	 1,091,697
Fund balance, July 1, 2019	<u>-</u>	<u>279,549</u>	<u>106,875</u>	<u>4,465,830</u>	<u>4,852,254</u>
Fund balance, June 30, 2020	<u>\$ 96,411</u>	<u>\$ 395,194</u>	<u>\$ 119,560</u>	<u>\$ 5,332,786</u>	<u>\$ 5,943,951</u>

MILPITAS UNIFIED SCHOOL DISTRICT  
ORGANIZATION  
June 30, 2020

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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, 2020 was comprised of the following members:

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Hon Lien	President	2020
Chris Norwood	Vice President	2022
Kelly Yip-Chuan	Board Clerk	2022
Michael Tsai	Trustee	2022
Hai Minh Ngo	Trustee	2020

ADMINISTRATION

Cheryl Jordan  
Superintendent

Jonathon Brunson  
Assistant Superintendent, Human Relations

Norma Rodriguez  
Assistant Superintendent, Learning & Development

Wendy Zhang  
Assistant Superintendent, Business Services



MILPITAS UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF AVERAGE DAILY ATTENDANCE  
 For the Year Ended June 30, 2020

	Second Period Report (Original)	Second Period Report (Revised)*	Annual Report
Certificate Numbers:	33945D8D	F417E0D8	9747697D
Elementary:			
Transitional Kindergarten through Third	3,185	3,185	3,185
Fourth through Sixth	2,141	2,141	2,141
Seventh and Eighth	1,514	1,514	1,514
Special Education	<u>17</u>	<u>17</u>	<u>17</u>
Total Elementary	<u>6,857</u>	<u>6,857</u>	<u>6,857</u>
Secondary:			
Ninth through Twelfth	3,026	3,026	3,026
Special Education	10	10	10
Continuation	<u>96</u>	<u>96</u>	<u>96</u>
Total Secondary	<u>3,132</u>	<u>3,132</u>	<u>3,132</u>
District Total	<u><u>9,989</u></u>	<u><u>9,989</u></u>	<u><u>9,989</u></u>
Classes for Adults:			
Adults in correctional facilities	<u>1,054</u>	<u>1,054</u>	<u>1,054</u>

\*Reflects revisions made by the District subsequent to the submission of the original Second Period Report of Attendance, based on an internal review of records. Adjustments in the revised report did not result in a total net adjustment in the schedule above, due to rounding.

MILPITAS UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF INSTRUCTIONAL TIME  
 For the Year Ended June 30, 2020

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<u>Grade Level</u>	<u>Statutory Minutes Requirement</u>	<u>2019-2020 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	46,062	180	In Compliance
Grade 1	50,400	50,472	180	In Compliance
Grade 2	50,400	50,472	180	In Compliance
Grade 3	50,400	50,472	180	In Compliance
Grade 4	54,000	54,054	180	In Compliance
Grade 5	54,000	54,054	180	In Compliance
Grade 6	54,000	54,054	180	In Compliance
Grade 7	54,000	57,041	180	In Compliance
Grade 8	54,000	57,041	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

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See accompanying notes to supplementary information.

MILPITAS UNIFIED SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
For the Year Ended June 30, 2020

<u>Federal Catalog 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 Education - Passed through</u>			
<u>California Department of Education</u>			
	Special Education Cluster:		
84.027	Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Section 611	13379	\$ 1,860,739
84.027A	Special Ed: IDEA Mental Health Services, Part B Section 611	14468	105,256
84.173	Special Ed: IDEA Preschool Grants, Part B, Section 611	13430	55,982
84.027	Special Ed: IDEA Local Assistance, Privat Schools ISPs	10115	8,002
84.173A	Special Ed: IDEA Preschool Staff Development, Part B, Section 611	13431	<u>460</u>
	Subtotal Special Education Cluster		<u>2,030,439</u>
	Adult Education Programs:		
84.002	Adult Education: Adult Secondary Education	13978	79,383
84.002A	Adult Education: Adult Basic Education & ESL	14508	217,262
84.002	Adult Education: Institutionalized Adults	13971	<u>125,060</u>
	Subtotal Adult Education Programs		<u>421,705</u>
	Title I Programs:		
84.010	ESEA: Title I, Part A, Basic Grants Low-Income and Neglected	14329	787,356
84.010	ESEA: School Improvement funding for LEAs	15438	<u>67,127</u>
	Subtotal Title I Programs		<u>854,483</u>
	Title III Programs:		
84.365	ESEA: Immigrant Student Program	15146	51,284
84.365	ESEA: Title III, English Learner Student Program	14346	<u>351,260</u>
	Subtotal Title III Programs		<u>402,544</u>

(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
 For the Year Ended June 30, 2020

<u>Federal Catalog 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 Education - Passed through California Department of Education (continued)</u>			
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	\$ 47,668
84.126	Department of Rehabilitation: Workability II, Transitions Partnership Program	10006	184,659
84.424	ESEA: Title IV, Part A, Student Support and Academic Enrichment Grants	15396	65,579
84.367	ESEA: Title II, Part A, Supporting Effective instruction Local Grants	14341	<u>169,822</u>
	Total U.S. Department of Education		<u>4,176,899</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
	Child Nutrition Cluster:		
10.555	Child Nutrition: School Programs	13390	2,142,722
10.553	School Breakfast Program	23668	<u>746</u>
	Total U.S. Department of Agriculture		<u>2,143,468</u>
<u>U.S. Department of Health and Human Services - Passed through California Department of Education</u>			
93.778	MediCal Billing Option - Medicaid Cluster	10013	256,051
93.575	Child Development: Federal Child Care, Center Based	15136	<u>129,336</u>
	Total U.S. Department of Health and Human Services		<u>385,387</u>
<u>U.S. Department of Defense - Passed through California Department of Education</u>			
12.235	Navy Junior ROTC	N/A	<u>42,185</u>
	Total Federal Programs		<u>\$ 6,747,939</u>

MILPITAS UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT  
WITH AUDITED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2020

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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, 2020  
(UNAUDITED)

	(Budget) <u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 112,533,840	\$ 123,452,146	\$ 125,325,331	\$ 112,940,193
Expenditures	127,445,399	127,808,061	124,644,938	113,764,696
Other uses and transfers out	<u>425,217</u>	<u>59,000</u>	<u>39,000</u>	<u>194,493</u>
Total outgo	<u>127,870,616</u>	<u>127,867,061</u>	<u>124,683,938</u>	<u>113,959,189</u>
Change in fund balance	<u>\$ (15,336,776)</u>	<u>\$ (4,414,915)</u>	<u>\$ 641,393</u>	<u>\$ (1,018,996)</u>
Ending fund balance	<u>\$ 12,597,055</u>	<u>\$ 27,933,831</u>	<u>\$ 32,348,746</u>	<u>\$ 31,707,353</u>
Available reserves	<u>\$ 6,264,245</u>	<u>\$ 22,214,457</u>	<u>\$ 25,437,308</u>	<u>\$ 19,015,778</u>
Designated for economic uncertainties	<u>\$ 6,264,245</u>	<u>\$ 20,187,355</u>	<u>\$ 25,437,308</u>	<u>\$ 19,015,778</u>
Undesignated fund balance	<u>\$ -</u>	<u>\$ 2,027,102</u>	<u>\$ -</u>	<u>\$ -</u>
Available reserves as percentages of total outgo	<u>4.9%</u>	<u>17.4%</u>	<u>20.4%</u>	<u>16.7%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 317,255,076</u>	<u>\$ 335,308,058</u>	<u>\$ 337,661,343</u>	<u>\$ 262,852,457</u>
Average daily attendance at P-2, excluding Adult Education	<u>10,011</u>	<u>9,989</u>	<u>9,930</u>	<u>10,084</u>

The fund balance in the General Fund has decreased by \$4,792,518 over the past three years. The fiscal year 2020-2021 budget projects a decrease of \$15,336,776. For a district this size, the State of California recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses. For the year ended June 30, 2020, 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, 2021.

Total long-term liabilities has increased by \$72,455,601 over the past two years.

Average daily attendance has decreased by 95 over the past two years. The District anticipates an increase of 22 ADA for the 2020-2021 fiscal year.

MILPITAS UNIFIED SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOLS  
For the Year Ended June 30, 2020

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Charter Schools Chartered by District

There are no charter schools in the District

Included in District  
Financial Statements, or  
Separate Report

MILPITAS UNIFIED SCHOOL DISTRICT  
 NOTES TO SUPPLEMENTARY INFORMATION  
 June 30, 2020

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**NOTE 1 - PURPOSE OF SCHEDULES**

A - 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.

B - 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.

The District submitted a COVID-19 School Closure Certification with the State Superintendent of Public Instruction (SSPI) in connection with the effected school days impacted by COVID-19. The Certification was submitted to the SSPI on August 24, 2020.

C - 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.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2020.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 6,643,064
Add: Medi-Cal Billing Option awards spent from prior year awards	93.778	<u>104,875</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 6,747,939</u>

(Continued)



**NOTE 1 - PURPOSE OF SCHEDULES** (Continued)

D - Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the Unaudited Actual Financial Report to the audited financial statements.

E - 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 2020-2021 fiscal year, as required by the State Controller's Office.

F - 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, 2020, the District did not adopt such a program

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

Board of Education  
Milpitas Unified School District  
Milpitas, California

**Report on Compliance with State Laws and Regulations**

We have audited Milpitas Unified School District's compliance with the types of compliance requirements described in the State of California's *2019-20 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, 2020.

<u>Description</u>	<u>Procedures Performed</u>
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, See below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, See below
Middle or Early College High Schools	No, See below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, See below
Comprehensive School Safety	Yes
District of Choice	No, see below
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General requirements	Yes
After school	Yes
Before school	No, See below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	No, See below
Charter Schools - Attendance	No, See below
Charter Schools - Mode of Instruction	No, See below
Charter Schools - Nonclassroom-Based Instruction/ Independent Study	No, See below

(Continued)

<u>Description</u>	<u>Procedures Performed</u>
Charter Schools - Determination of Funding for Nonclassroom-Based Instruction	No, See below
Charter Schools - Annual Instructional Minutes – Classroom-Based	No, See below
Charter Schools - Charter School Facility Grant Program	No, See below

The average daily attendance reported for independent study was below the level requiring testing, therefore no procedures were performed for the independent study program.

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

We did not perform any procedures related to Juvenile Court Schools, Middle or Early College High Schools, or Apprenticeship: Related and Supplemental Instruction, because the District did not operate these programs during the audit year.

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

We did not perform any procedures related to Before School Education and Safety Program: Before School, because the District did not offer a Before School program during the audit year.

We did not perform any procedures related to Independent Study - Course Based because the District did not operate this program.

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

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on Milpitas Unified School District's compliance with state laws and regulations as listed above, based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Milpitas Unified School District's compliance with the state laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about Milpitas Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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(Continued)

### ***Opinion on Compliance with State Laws and Regulations***

In our opinion, Milpitas Unified School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2020.

### **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 *2019-20 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

Sacramento, California  
February 2, 2021

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, 2020, 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

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

In planning and performing our audit of the financial statements, we considered Milpitas Unified School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Milpitas Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Milpitas Unified School District's internal control.

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

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

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(Continued)

## Compliance and Other Matters

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

## Purpose of this Report

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

  
Crowe LLP

Sacramento, California  
February 2, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Education  
Milpitas Unified School District  
Milpitas, California

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

We have audited Milpitas Unified School District's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Milpitas Unified School District's major federal programs for the year ended June 30, 2020. Milpitas Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

**Opinion on Each Major Federal Program**

In our opinion, Milpitas Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

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(Continued)

## Report on Internal Control Over Compliance

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

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

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

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

  
Crowe LLP

Sacramento, California  
February 2, 2021



## **FINDINGS AND RECOMMENDATIONS**

MILPITAS UNIFIED SCHOOL DISTRICT  
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2020

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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:		Unmodified		
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>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555 84.010	Child Nutrition Cluster Title I 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, 2020

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SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

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(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2020

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SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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(Continued)

MILPITAS UNIFIED SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2020

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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, 2020

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No matters were reported.