

**ELK GROVE UNIFIED SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

June 30, 2020

ELK GROVE UNIFIED SCHOOL DISTRICT

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

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ELK GROVE UNIFIED SCHOOL DISTRICT

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WITH SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2020  
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ELK GROVE UNIFIED SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Elk Grove Unified School District  
Elk Grove, 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 Elk Grove Unified School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Elk Grove 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.

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(Continued)

## **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 Elk Grove Unified School District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 14 and the General Fund Budgetary Comparison Schedule, the Schedule of Changes in the District's Total Other Postemployment Benefits (OPEB) Liability, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 61 to 66 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 Elk Grove 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 has 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 December 9, 2020 on our consideration of Elk Grove 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 Elk Grove 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 Elk Grove Unified School District's internal control over financial reporting and compliance.

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

Crowe LLP

Sacramento, California  
December 9, 2020



**Members of the Board:**  
Beth Albiani  
Nancy Chaires Espinoza  
Carmine S. Forcina  
Chet Madison, Sr.  
Dr. Crystal Martinez-Alire  
Anthony "Tony" Perez  
Bobbie Singh-Allen

**Christopher R. Hoffman**  
Superintendent  
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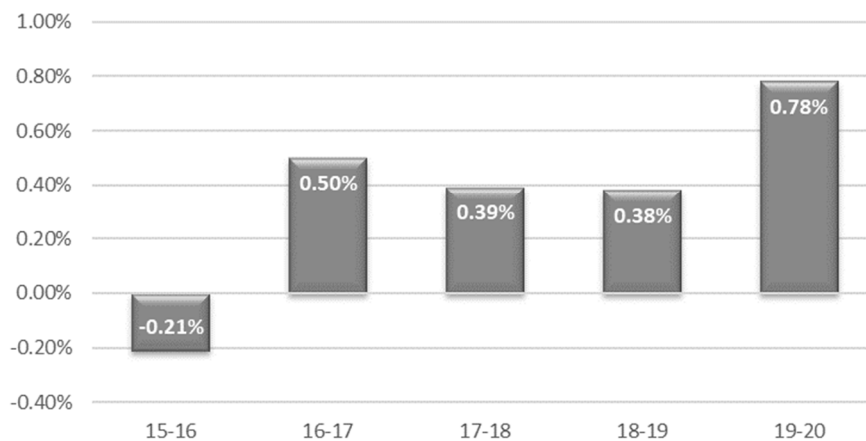
### Management's Discussion and Analysis

The following discussion and analysis are a reflection on the 2019/2020 school year. The Elk Grove Unified School District (EGUSD), located in one of the most diverse areas of California, is an award-winning district known for its commitment to academic excellence and learning for all students. The district remains the fifth largest school district in California as well as the largest in Northern California, serving approximately 63,000 students speaking nearly 90 different languages. The district has 67 schools (42 elementary schools, 9 middle schools, 9 high schools, 4 alternative schools including one virtual online K-8 program, 1 charter school, 1 special education school, 1 adult education school, and offers preschool programs at 15 elementary sites). For the 2019/2020 school year the District employed on a regular basis 3,739 certificated employees, and 2,736 classified employees. The district covers 320 square miles within the City of Elk Grove, the City of Sacramento, the City of Rancho Cordova, and the unincorporated area of Sacramento County.

Offering a multitude of educational programs, including nearly 65 career-themed academies and pathways within 14 industry sectors, we prepare our students for college, career and life, supporting them with the means to be creative problem solvers, self-aware, self-reliant, and self-disciplined; technically literate; effective communicators and collaborators; and engaged in the community as individuals with integrity. We integrate rigorous academics with career-based learning and real world workplace experiences and ensure that Every Student is Learning, in Every Classroom, in Every Subject, Every Day to Prepare College, Career, and Life Ready Graduates.

Historically, the Elk Grove Unified School District was one of the fastest growing school districts in the nation. However, economic conditions including the Great Recession and subsequent economic circumstances including the impacts of COVID-19 have slowed the District's overall growth. The District continues to experience relatively rapid growth in the extreme northern and southern regions of its boundary, with moderate growth in various other regions, resulting in the continued need for new elementary schools in the Cities of Rancho Cordova and Elk Grove. These regions of rapid growth are somewhat offset, districtwide, by a number of maturing regions in the District's jurisdiction that are experiencing cyclical demographic declines.

### Enrollment Growth





## Learning Vision, Strategic Goals and Graduate Profile

The Elk Grove Unified School District (EGUSD) implements and evaluates comprehensive and integrated academic, wellness and family and community services in order to realize the District's learning vision – Every student learning in Every classroom, in Every subject, Every day to prepare college, career, and life ready graduates.

The District's has four strategic goals to maintain the focus of and coherence among the District's educational programs and services:

**Goal 1:** High Quality Classroom Instruction & Curriculum – All students will receive high quality classroom instruction and curriculum to promote college and career readiness and close the achievement gap.

**Goal 2:** Assessment, Data Analysis & Action - All students will benefit from instruction guided by assessment results (formative, interim, and summative) and continuous programmatic evaluation.

**Goal 3:** Wellness - All students will have an equitable opportunity to learn in a culturally responsive, physically, and emotionally healthy and safe environment.

**Goal 4:** Family & Community Engagement - All students will benefit from programs and services designed to inform and involve family and community partners.

In addition to its learning vision and strategic goals, the District's Graduate Profile ensures that each graduate demonstrates readiness to succeed in college, career and life by successfully demonstrating six critical skills:

1. Creative Problem-solving
2. Technical Literacy
3. Communication and Collaboration
4. Self-Awareness, Self-Reliance, Self-Discipline
5. Integrity
6. Community Engagement

The District strives to implement its strategic vision toward improving student outcomes while maintaining fiscal solvency.

## Financial Reports

In June 1999, the Governmental Accounting Standards Board (GASB) issued Codification Section N50.118-.121 (formerly GASB 34), *Basic Financial Statements—and Management's Discussion and Analysis—For State and Local Governments*. This standard significantly changed the way school districts report their finances to the public. While each individual fund is monitored, greater focus of financial reporting is now on the overall status of the local educational agency's (LEA) financial health.

Fiscal year 2001/2002 was the first year the District accounted for the value of capital assets and included these values as part of the financial statements. The value of all assets including land, buildings, equipment and depreciation, are now displayed as part of the statements as required by N50.118-.121. Net position, the difference between the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is one indicator of whether its financial position is improving or declining.

## Statement of Net Position

The *Statement of Net Position* for the 2019/20 year shows the District's net position as \$56,187,761. This amount includes the value of the land, buildings, and equipment (less depreciation) owned by the District as well as all liabilities such as bond repayment obligations. June 30, 2014 was the first year that included the implementation of GASB 68 (Accounting and Reporting for Pensions).

| Statement of Net Position                      |                       |                      |
|--|-----------------------|----------------------|
|  | June 30, 2019         | June 30, 2020        |
| Assets other than capital                      | \$ 635,112,605        | \$ 594,228,183       |
| Capital assets net of accumulated depreciation | <u>516,190,029</u>    | <u>522,292,742</u>   |
| Total assets                                   | <u>1,151,302,634</u>  | <u>1,116,520,925</u> |
| Deferred loss on refunding of debt             | 5,643,869             | 5,365,914            |
| Deferred outflows of resources – pensions      | <u>193,858,087</u>    | <u>194,914,737</u>   |
| Total deferred outflows of resources           | <u>199,501,956</u>    | <u>200,280,651</u>   |
| Liabilities other than long term               | 53,764,690            | 40,426,432           |
| Long term liabilities                          | <u>1,161,283,803</u>  | <u>1,177,580,383</u> |
| Total liabilities                              | <u>1,215,048,493</u>  | <u>1,218,006,815</u> |
| Deferred inflow of resources – pensions        | <u>34,068,000</u>     | <u>42,607,000</u>    |
| Ending Net Position                            | <u>\$ 101,688,097</u> | <u>\$ 56,187,761</u> |

## Statement of Activities

| Governmental Activities            |                      |                      |
|------------------------------------|----------------------|----------------------|
|                                    | June 30, 2019        | June 30, 2020        |
| <b>Revenues</b>                    |                      |                      |
| Program Revenue:                   |                      |                      |
| Charges for services               | \$23,855,555         | \$22,785,700         |
| Operating grants & contributions   | 196,782,521          | 171,805,100          |
| Capital grants & contributions     | 107,690              | 11,285,395           |
| Taxes:                             |                      |                      |
| Levied for general purpose         | 124,980,047          | 133,378,648          |
| Levied for debt service            | 30,362,424           | 17,319,162           |
| Levied for other specific purposes | (44,664)             | 64,424               |
| Other Revenue:                     |                      |                      |
| Federal and State aid              | 472,375,466          | 481,012,468          |
| Interest and investment earnings   | 2,959,854            | 3,062,048            |
| Interagency                        | 10,468               | 12,896               |
| Other                              | 1,949,255            | 919,869              |
| <b>Total Revenue</b>               | <b>\$853,338,616</b> | <b>\$841,645,710</b> |
| <b>Expenses</b>                    |                      |                      |
| Instruction                        | \$568,178,467        | \$563,193,769        |
| Instruction-related services       | 87,777,097           | 85,667,552           |
| Pupil services                     | 101,421,417          | 108,541,906          |
| General administration             | 42,129,303           | 45,353,848           |
| Plant services                     | 65,121,489           | 65,861,328           |
| Enterprise/Ancillary activities    | 76,391               | 879                  |
| Interest on long-term liabilities  | 10,020,872           | 16,992,780           |
| Other outgo                        | 3,275,292            | 2,126,984            |
| <b>Total Expenses</b>              | <b>\$878,000,328</b> | <b>\$887,739,046</b> |
| Change in Net Position             | (\$24,661,712)       | (\$46,093,336)       |
| Net Position – Beginning           | 126,349,809          | 101,688,097          |
| <b>Net Position – Ending</b>       | <b>\$101,688,097</b> | <b>\$55,594,761</b>  |

## Financial Condition of the General Fund

Local Control Funding Formula income is the major component of the District’s unrestricted income. The District relies on these revenues to cover cost increases for employee salaries and benefits, other fixed costs and also consider new programs from these monies. The following tables summarize fund balance changes and operational fund financial statements.

| Summary of General Fund Financial Operations |                            |                             | General Fund Change in Fund Balance |                            |                            |                             |
|--|----------------------------|-----------------------------|-------------------------------------|----------------------------|----------------------------|-----------------------------|
|  | June 30, 2019              | June 30, 2020               |                                     | Restricted                 | Unrestricted               | Total                       |
| Revenues                                     | \$ 752,605,058             | \$ 748,115,047              | June 30, 2019                       | <u>35,940,109</u>          | <u>86,789,312</u>          | <u>122,729,421</u>          |
| Expenditures                                 | <u>(744,974,667)</u>       | <u>(736,766,127)</u>        | June 30, 2020                       | <u>43,505,766</u>          | <u>90,572,575</u>          | <u>134,078,341</u>          |
| <b>Difference</b>                            | <b>\$ <u>7,630,391</u></b> | <b>\$ <u>11,348,920</u></b> | <b>Change</b>                       | <b>\$ <u>7,565,657</u></b> | <b>\$ <u>3,783,263</u></b> | <b>\$ <u>11,348,920</u></b> |

During 2019/2020 District staff updated the Board of Education and stakeholders of the financial condition of the General Fund by way of routine Budget Update Reports at Board of Education meetings. These updates along with other important financial information impacting the District were posted to the District’s website to increase community awareness. In addition, the budget was updated to recognize changes in anticipated revenue and expenditures during interim reporting periods. The District also provides routine budget updates throughout the year to individual bargaining units as well as a combined body representing all bargaining units referred to as Partners in Education (PIE).

### General Fund Revenues

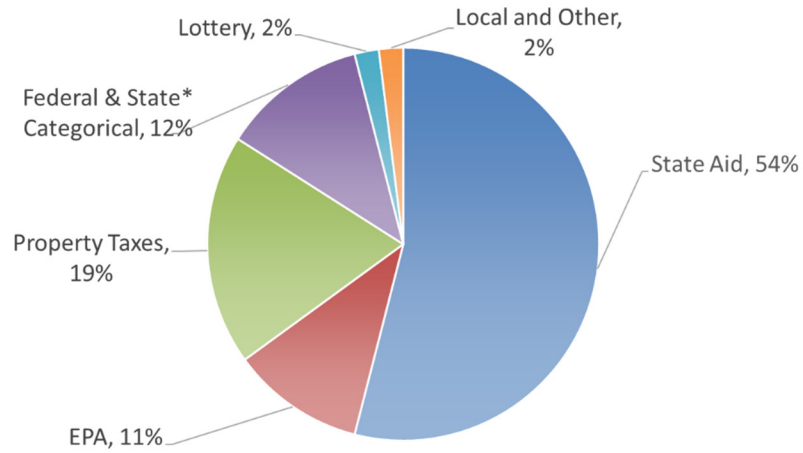
More than 80% of the District’s General Fund revenue is generated from the District’s Local Control Funding Formula (LCFF). The LCFF includes State Aid and property taxes and is based on a state-determined dollar amount times the average number of students who are in attendance throughout the school year.

The other source of revenue is federal, state and local categorical income that must be spent for specific determined programs. Categorical programs amount to twelve percent of the District’s income. The largest state categorical program is funding for a portion of Special Education services.

The District’s total resources for expenditures include a “beginning balance”, which represents the unexpended balance from the prior year. During the 2019/20 school year, the District’s total General Fund ending fund balance increased by \$11,348,920.

## General Fund Sources

| <b>Sources Available</b>           |                      |
|------------------------------------|----------------------|
| LCFF Sources                       | \$378,569,921        |
| Education Protection Account (EPA) | 80,429,751           |
| Property Taxes                     | 133,402,569          |
| <b>Total LCFF Sources</b>          | <b>\$592,402,241</b> |
| Federal Revenue                    | 34,056,642           |
| Lottery                            | 12,496,793           |
| Other State Revenue*               | 47,706,277           |
| Local Revenue                      | 17,023,534           |
| <b>Total Revenue</b>               | <b>\$703,685,487</b> |
| Beginning Fund Balance             | 122,729,421          |
| <b>Total General Fund Sources</b>  | <b>\$826,414,908</b> |



\*Other State Revenue - Excludes \$40 STRS On Behalf Pension Contribution.

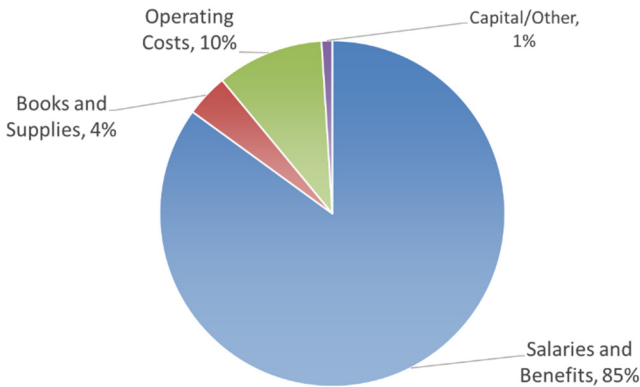
## General Fund Expenditures

Employee salary and benefit costs consume 85% of the District’s general fund expenditures. Expenditures that go directly to the classroom for instructional purposes amount to 64% of the District’s general fund expenditures. A significant portion of California school district income is restricted income and, as such can only be expended for selected purposes as determined by the allocating agency. The balance of the District’s income is unrestricted since it can be expended as determined by the local agency for general educational purposes.

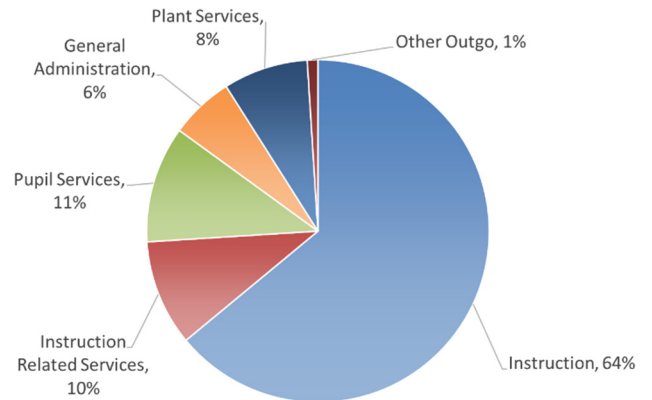
| <b>2019/20 General Fund Expenditures</b>    |                      |
|---|----------------------|
| Salaries and Benefits*                      | \$593,094,667        |
| Books and Supplies                          | 24,027,909           |
| Operating Costs                             | 69,740,559           |
| Capital/Other                               | 9,568,156            |
| <b>Total Expenditures</b>                   | <b>\$696,431,291</b> |
| Restricted/Nonspendable Ending Fund Balance | \$44,595,489         |
| Reserve for Economic Uncertainties          | 15,001,000           |
| Assigned Ending Fund Balance                | 74,481,852           |
| <b>Total Ending Fund Balance</b>            | <b>\$134,078,341</b> |

\*Salaries & Benefits - Excludes \$40M STRS On Behalf Pension Contribution.

**General Fund Expenditure by Object\***



**General Fund Expenditure by Function\***



\*Salaries & Benefits - Excludes \$40M STRS On Behalf Pension Contribution.

## Other Funds

In addition to the General Fund, the District also has other funds which are designed to keep track of specific revenues and expenditures and are often required by State law. Following is a summary of fund balances for all other District funds:

| <b>Fund Name</b>                   | <b>June 30, 2019<br/>Ending Balance</b><br>(amount in dollars) | <b>June 30, 2020<br/>Ending Balance</b><br>(amount in dollars) | <b>Change in<br/>Fund Balance</b><br>(amount in dollars) |
|------------------------------------|--|--|--|
| Charter School Special Revenue     | \$4,150,601  | \$4,905,931  | \$755,330  |
| Adult Education                    | 2,737,718  | 2,867,060  | \$129,342  |
| Child Development                  | 410,793  | 432,088  | \$21,295   |
| Cafeteria Special Revenue          | 5,834,679  | 4,039,229  | (\$1,795,450)  |
| Deferred Maintenance               | 277,241  | 281,844  | \$4,603  |
| Building Fund                      | 111,157,084  | 76,359,667   | (\$34,797,417)   |
| Capital Facilities                 | 39,762,674   | 56,714,062   | \$16,951,388   |
| State School Facilities            | 32,672,316   | 23,161,288   | (\$9,511,028)  |
| Special Reserve for Capital Outlay | 7,602,380  | 2,111,615  | (\$5,490,765)  |
| Capital Projects                   | 7,795,972  | 7,351,426  | (\$444,546)  |
| Bond Interest & Redemption Fund    | 13,048,856   | 1,320,903  | (\$11,727,953)   |
| Debt Service                       | 21,383,760   | 15,886,537   | (\$5,497,223)  |
| Self-Insurance Fund                | 12,144,709   | 9,852,179  | (\$2,292,530)  |

## Post Retirement Employee Benefits

Elk Grove Benefits Employee Retirement Trust (EGBERT) was established on February 20, 1996, pursuant to an agreement among the bargaining units representing District employees and the District. This trust was established to provide health and welfare benefits as defined in Sections 3543.2 and 53200 of the Government Code through a Health and Welfare Plan for the retired eligible employees of the District and their eligible dependents. Participation in EGBERT is limited to District employees, their respective dependents, and board members who retire and qualify pursuant to appropriate Education Code and EGBERT vesting and eligibility requirements.

## Mello-Roos, General Obligation Bond and Capital Facilities Resources

Due to funding deficiencies associated with state funds and developer fees, the District, in 1987, confirmed the establishment of Elk Grove Unified School District Community Facilities District (CFD) #1 to implement a Mello-Roos Special Tax. The special tax is assessed to pay the interest and principal repayment of issued bonds. Proceeds of the bonds are to be used for improvements to existing elementary, middle, and high schools; for new elementary, middle and high schools in the District and for other educational centers, support centers and improvements to school grounds. On April 28, 1987 the District passed a \$70,000,000 local bond measure to finance certain elementary and secondary school support facilities.

As a result of continued growth and funding deficiencies, the District's Board of Education adopted resolutions on October 20, 1997 calling for an election to authorize the issuance of additional special tax bonds, while at the same time reconfirming CFD #1. On March 10, 1998, registered voters in the District authorized the issuance of an additional \$205,000,000 principal amount of special tax bonds. The Mello-Roos funds are intended to provide a source of funds for the required matching of state funds due under the State's School Facility Program. They also provide funding for facility needs not funded by state funds or developer fees, as well as funding for modernization, deferred maintenance, additions, technology and student support services such as Transportation, Food and Nutrition Services, Police Services and Maintenance and Operations.

In November of 1998, the District issued its first series of special tax bonds pursuant to the 1998 Authorization in the principal amount of \$28,954,336. In November of 2001, November 2003, November 2005 and November of 2008 the District issued the second, third, fourth and fifth series of special tax bonds pursuant to the 1998 Authorization in the amounts of \$21,343,383, \$28,000,828, \$43,540,000 and \$31,226,133 respectively. A total of \$153,064,700 had been issued from the 1998 Authorization. On October 2, 2012, the Board approved Resolution 14, 2012-13, which authorized the issuance of the Sixth or 2012 Refunding Series bonds, not to exceed \$98,000,000. On November 13, 2012, the Board approved Resolution 21, 2012-13, which provided for the sale of \$84,065,000 Principal Amount for the 2012 Special Tax Refunding Bonds as authorized by Board Resolution 14, 2012-13. The refunding (commonly referred to as refinancing) was an opportunity for significant debt service savings that transpired due to the fact that municipal bond rates were at historically low levels while at the same time certain outstanding bonds were callable starting December 1, 2012 for the first time in the history of EGUSD Community Facilities District #1. The 2012 Special Tax Refunding Bonds provided for the refunding the Series 1998 Bonds maturing December 1, 2013 through December 1, 2028, inclusive, the Series 2001 Bonds Maturing December 1, 2013 through December 1, 2031, inclusive, and the Series 2003 Bonds maturing December 1, 2022 through December 1, 2033, inclusive, and for paying the costs of issuance of the Refunding Series 2012 Bonds. The total principal amount of outstanding special tax bonds that are repaid by the special tax levied on taxable land in the District is \$98,009,733.

On November 8, 2016, voters approved the District's first local general obligation bond, Measure M, a \$476 million-dollar bond program intended to provide funds for school modernization and construction projects. Proceeds from the sale of the bonds will help provide critically needed funds to repair, remodel or build school facilities within the District. Measure M is a ten-year bond program with bond sales held on a biennial basis beginning with issuance of the Series 1 (2107) bonds in May, 2017, in the amount of \$82 million. Series 2 (2019) bonds were issued in February, 2019, in the amount of \$121 million.

The majority of the District's capital assets are the land and buildings of the District with the majority of the assets being in the buildings. Buildings comprise approximately 75% of the District's capital assets. The work in progress on District buildings, i.e. modernizations as well as new construction, makes up approximately 4% of the District's capital assets. The land is approximately 11%, land improvements are 6% and equipment is 4%.

## **District Outlook**

Elk Grove Unified School District (EGUSD) continues to have variable growth and while past and recent recessions have certainly taken a significant toll on the District, multi-level reforms and innovative strategies to retain and recruit the best and the brightest teachers and staff have ensured that EGUSD has both the financial means and the staffing resources required to meet its high-quality educational goals as well as professional development objectives. Prior to 2019/2020 and since the Great Recession the District found itself in the longest recovery period in history, however the staggering impacts of COVID-19 thrust the District into a sudden and rapid period of severe economic uncertainty. Fortunately, since the prior recession the District prepared for the next economic downturn to position itself to sustain the next inevitable economic downturn which struck suddenly in 2019/2020. The District's Board, Administration and employee groups have agreed on the following principles pertaining to budgetary decisions and fiscal solvency, which continued through 2019/2020:

1. Maintain Fiscal Solvency
2. Maintain/Evaluate What We Have Built
3. Remain Competitive
4. Build Upon What We Have Already Started
5. Contemplate New Program/Initiatives

These budgetary principles are prioritized to ensure that each condition is met before moving down the hierarchy as budgetary considerations are contemplated. Utilizing these Principles as a lens for making all budgetary decisions assures that the District will make sound and sustainable budgetary decisions. These Principles combined with the District's track record of collaborative problem solving and planning ensures that the future remains bright for our students, teachers, staff and community stakeholders.

## **Impacts and Effects of COVID-19**

The effects of COVID-19 on the District and the community it serves have been perhaps the most dramatic and impactful events endured for generations. Although the State took swift action to mitigate financial harm to Districts in 2019/2020, relative to LCFF revenue, the District still faced countless and substantial financial burdens. Although the future of funding for public education was very bleak, given the economic impacts caused by COVID-19, Districts were limited in their ability to make budget modifications in order to generate savings for current and future uncertainties. So too, executive orders and legislative actions required the District to continue services, staffing levels and to honor contracts with vendors without consideration of services rendered. The Governor's May Revision and ultimate State Budget were in stark contrast to the January Budget Proposal, making the future incredibly uncertain. The contrast between the January Budget Proposal, the May Revision and ultimate State Budget we arguably the most dramatic short term budget fluctuations ever experienced by public education in California.

The District was suddenly and urgently thrust into a situation that required the acquisition and distribution of thousands of Chromebooks and internet hot spots to accommodate a sudden distance learning platform. Meals and healthy nutrition for students proudly continued and while labor and food costs remained, reimbursement revenue declined sharply. Ultimately and unfortunately, schools remained closed for the remainder of the 2019/2020 school year and distance learning continued. Financially, this meant the District could implement a hiring freeze and items like overtime, timesheets, substitutes and other cost related activities declined dramatically for roughly four months of the fiscal



year. These ensuing cost savings offset the unanticipated additional expenses and ultimately led to an increased fund balance from what was projected. These savings ultimately proved valuable as the District prepared for the 2020/2021 school year and the extraordinary expenses required as the stark realities of COVID-19 continued. The full financial impacts of COVID-19 remain unclear and the District and its bargaining unit partners must remain vigilant to ensure ongoing fiscal solvency.

The social and emotional impacts of COVID-19, although not financial in nature, cannot be understated. While the district's employees were faced with the daunting task of completely changing their work, behaviors and approach, its students had to adapt to distance learning outside of the school and classroom and could not experience the social interactions and activities that play a critical role in their development and educational experience. COVID-19 has forced change and uncertainty at extremes and levels no one in public education has ever experienced. However, in spite of the challenges, loss and struggles, the Elk Grove Unified School District has confidence that the lessons learned and discoveries made will only improve the educational experience moving forward.

### **Other Factors Bearing on the District's Future**

Following the worst recession since the Great Depression the Elk Grove Unified School District (EGUSD) has experienced multiple years of positive funding. However, the impacts of COVID-19 on the federal, state and local economies has created significant uncertainty regarding the future of funding for public education. With the Local Control Funding Formula (LCFF) now at full implementation, new challenges are presented due to the fact that new revenues are only being generated through cost of living adjustments, which does not account for increases in our students with special needs population or keep pace with step and column increases, health care increases and new programs through unfunded mandates and/or Board priorities. The District is encouraged with continued discussions at the state level and by advocacy groups to increase the base funding amounts in the LCFF as well as the Governor's 2020-2021 budget proposal that includes supplementary funding for public education from the State's general fund above and beyond the LCFF and the Proposition 98 guarantee.

The State's Local Control Funding Formula for school districts entered its seventh year in 2019/2020. In its most simple form, this relatively new model includes a base grant for each student and two additional grants (the Supplemental and Concentration grants) for low-income, English learners and foster youth students. The Concentration Grant is distributed to only those school districts with a district unduplicated count average of 55% or higher of low-income, English learners, and foster youth students. EGUSD qualified to receive concentration grant funding with a 56.76% district average. The District remains concerned with how the LCFF funds its children with the highest needs and the severe financial impacts the District would incur should the percentage of unduplicated students decline below the critical 55% threshold.

Other factors impacting the district's future budget include, but are not limited to, rising costs related to annual employee step increases, health care, minimum wage increases, special education growth, increasing unfunded mandates especially for Pre-K special needs students and technology costs. Through negotiations an employer/employee shared cost model for health care costs was implemented for 2012/2013 with employees contributing 20% of cost and the District contributing 80% of the cost. In addition, as a result of negotiations, employees are also eligible to receive a 5% rebate by fulfilling a series of wellness items. The shared cost model and rebate is continuing for 2020/2021 and is expected to continue for the foreseeable future. In addition, wellness items are part of the District's "Your Health, Your Choice – Celebrating Wellness at EGUSD" program. The program seeks to promote and support a healthy work environment, health awareness, individual responsibility for a healthy lifestyle, decreased risk of disease and enhanced quality of life for District personnel. The program provides opportunities, tools and resources that empower personnel to make healthy lifestyle choices.

In Elk Grove Unified, we proudly continue to prepare our students for college and careers in the 21<sup>st</sup> century. Understanding how to leverage technology in the classroom is part of that discussion. So too is connecting students with real-world experiences. The students graduating from the District will face a variety of changes such as the world of work, volatile world-wide economic ripples, the need to re-think the uses of energy, as well as the expansion of renewable energy sources and an expanding range of technology. We prepare our students to engage in this work, teach them to contribute to a better future and help them to navigate an ever-increasing interconnection of systems.

## **BASIC FINANCIAL STATEMENTS**

ELK GROVE UNIFIED SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
June 30, 2020

|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>ASSETS</b>  |                                    |
| Cash and investments (Note 2)  | \$ 291,546,239                     |
| Receivables  | 87,571,721                         |
| Prepaid expenses   | 409,684                            |
| Stores inventory   | 1,279,636                          |
| Non-depreciable capital assets (Note 4)                                    | 213,420,903                        |
| Depreciable capital assets, net of accumulated depreciation (Note 4)       | <u>522,292,742</u>                 |
| Total assets   | <u>1,116,520,925</u>               |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                      |                                    |
| Deferred loss from refunding of debt                                       | 5,365,914                          |
| Deferred outflows of resources - OPEB (Note 10)                            | 1,093,002                          |
| Deferred outflows of resources - pensions (Notes 8 and 9)                  | <u>193,821,735</u>                 |
| Total deferred outflows of resources                                       | <u>200,280,651</u>                 |
| <b>LIABILITIES</b>   |                                    |
| Accounts payable   | 29,951,641                         |
| Unearned revenue   | 9,881,791                          |
| Unpaid claims and claim adjustment expenses (Note 5)                       | 593,000                            |
| Long-term liabilities:   |                                    |
| Unpaid claims and claim adjustment expenses, less current portion (Note 5) | 5,608,294                          |
| Due within one year (Note 6)   | 29,272,448                         |
| Due after one year (Note 6)  | <u>1,143,292,641</u>               |
| Total liabilities  | <u>1,218,599,815</u>               |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                       |                                    |
| Deferred inflows of resources - pensions (Notes 8 and 9)                   | <u>42,607,000</u>                  |
| <b>NET POSITION</b>  |                                    |
| Net investment in capital assets   | 423,124,673                        |
| Restricted:  |                                    |
| Legally restricted programs  | 55,985,599                         |
| Capital projects   | 89,338,391                         |
| Debt service   | 17,207,440                         |
| Unrestricted   | <u>(530,061,342)</u>               |
| Total net position   | <u>\$ 55,594,761</u>               |

The accompanying notes are an integral part of these financial statements.

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

|   |                                     | Program Revenues                                  |   |                                    | Net (Expense)<br>Revenues and<br>Change in<br>Net Position |
|---|-------------------------------------|---|---|------------------------------------|--|
| <u>Expenses</u>   | <u>Charges<br/>for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Capital<br/>Grants and<br/>Contributions</u> | <u>Governmental<br/>Activities</u> |  |
| Governmental activities:                                  |                                     |   |   |                                    |  |
| Instruction   | \$ 563,193,769                      | \$ 618,312  | \$ 105,608,735                                  | \$ 11,285,395                      | \$(445,681,327)  |
| Instruction-related services:                             |                                     |   |   |                                    |  |
| Supervision of instruction                                | 29,129,349                          | 361,946   | 11,477,924                                      | -                                  | (17,289,479)   |
| Instructional library, media and<br>technology            | 4,838,956                           | 11,714  | 439,985   | -                                  | (4,387,257)  |
| School site administration                                | 51,699,247                          | 5,535   | 4,550,670                                       | -                                  | (47,143,042)   |
| Pupil services:   |                                     |   |   |                                    |  |
| Home-to-school transportation                             | 20,927,693                          | 160,597   | 116,787   | -                                  | (20,650,309)   |
| Food services   | 26,112,489                          | 2,733,591   | 19,576,501                                      | -                                  | (3,802,397)  |
| All other pupil services                                  | 61,501,724                          | 114,179   | 16,989,858                                      | -                                  | (44,397,687)   |
| General administration:                                   |                                     |   |   |                                    |  |
| Data processing   | 13,731,945                          | 793   | 21,761  | -                                  | (13,709,391)   |
| All other general administration                          | 31,621,903                          | 116,774   | 5,451,252                                       | -                                  | (26,053,877)   |
| Plant services  | 65,861,328                          | 478,916   | 942,977   | -                                  | (64,439,435)   |
| Ancillary services  | 879                                 | 106   | 46  | -                                  | (727)  |
| Interest on long-term liabilities                         | 16,992,780                          | -   | -   | -                                  | (16,992,780)   |
| Other outgo   | 2,126,984                           | 18,183,237  | 6,628,604                                       | -                                  | 22,684,857   |
| Total governmental activities                             | \$ 887,739,046                      | \$ 22,785,700                                     | \$ 171,805,100                                  | \$ 11,285,395                      | (681,862,851)  |
| General revenues:   |                                     |   |   |                                    |  |
| Taxes and subventions:                                    |                                     |   |   |                                    |  |
| Taxes levied for general purposes                         |                                     |   |   |                                    | 133,378,648  |
| Taxes levied for debt service                             |                                     |   |   |                                    | 17,319,162   |
| Taxes levied for other specific purposes                  |                                     |   |   |                                    | 64,424   |
| Federal and state aid not restricted to specific purposes |                                     |   |   |                                    | 481,012,468  |
| Interest and investment earnings                          |                                     |   |   |                                    | 3,062,048  |
| Interagency transfers                                     |                                     |   |   |                                    | 12,896   |
| Miscellaneous   |                                     |   |   |                                    | 919,869  |
| Total general revenues                                    |                                     |   |   |                                    | 635,769,515  |
| Change in net position                                    |                                     |   |   |                                    | (46,093,336)   |
| Net position, July 1, 2019                                |                                     |   |   |                                    | 101,688,097  |
| Net position, June 30, 2020                               |                                     |   |   |                                    | \$ 55,594,761  |

The accompanying notes are an integral part of these financial statements.

ELK GROVE UNIFIED SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2020

|                                      | General<br>Fund             | Building<br>Fund            | Capital<br>Facilities<br>Fund | All<br>Non-Major<br>Funds   | Total<br>Governmental<br>Funds |
|--------------------------------------|-----------------------------|-----------------------------|-------------------------------|-----------------------------|--------------------------------|
| <b>ASSETS</b>                        |                             |                             |                               |                             |                                |
| Cash and investments:                |                             |                             |                               |                             |                                |
| Cash in County Treasury              | \$ 71,497,273               | \$ 58,761,224               | \$ 55,898,032                 | \$ 45,425,035               | \$ 231,581,564                 |
| Cash with Fiscal Agent               | 375,386                     | 21,519,723                  | -                             | 14,272,099                  | 36,167,208                     |
| Cash on hand and in banks            | 29,418                      | -                           | -                             | 33,344                      | 62,762                         |
| Cash in revolving fund               | 140,000                     | -                           | -                             | 11,242                      | 151,242                        |
| Cash awaiting deposit                | 2,277,865                   | -                           | 411,610                       | 370,041                     | 3,059,516                      |
| Receivables                          | 80,507,507                  | 377,582                     | 412,699                       | 6,107,018                   | 87,404,806                     |
| Prepaid expenditures                 | 407,934                     | -                           | -                             | 1,750                       | 409,684                        |
| Due from other funds                 | 7,139,515                   | 7,264                       | -                             | 2,339,428                   | 9,486,207                      |
| Stores inventory                     | 588,109                     | -                           | -                             | 691,527                     | 1,279,636                      |
|                                      | <u>                    </u> | <u>                    </u> | <u>                    </u>   | <u>                    </u> | <u>                    </u>    |
| Total assets                         | <u>\$ 162,963,007</u>       | <u>\$ 80,665,793</u>        | <u>\$ 56,722,341</u>          | <u>\$ 69,251,484</u>        | <u>\$ 369,602,625</u>          |
| <b>LIABILITIES AND FUND BALANCES</b> |                             |                             |                               |                             |                                |
| Liabilities:                         |                             |                             |                               |                             |                                |
| Accounts payable                     | \$ 17,619,265               | \$ 4,296,221                | \$ 6,727                      | \$ 3,186,264                | \$ 25,108,477                  |
| Unearned revenue                     | 9,150,182                   | -                           | -                             | 731,609                     | 9,881,791                      |
| Due to other funds                   | 2,115,219                   | 9,905                       | 1,552                         | 2,975,690                   | 5,102,366                      |
|                                      | <u>                    </u> | <u>                    </u> | <u>                    </u>   | <u>                    </u> | <u>                    </u>    |
| Total liabilities                    | <u>28,884,666</u>           | <u>4,306,126</u>            | <u>8,279</u>                  | <u>6,893,563</u>            | <u>40,092,634</u>              |
| Fund balances:                       |                             |                             |                               |                             |                                |
| Nonspendable                         | 1,136,043                   | -                           | -                             | 704,519                     | 1,840,562                      |
| Restricted                           | 43,459,447                  | 76,359,667                  | 56,714,062                    | 61,653,402                  | 238,186,578                    |
| Assigned                             | 74,481,851                  | -                           | -                             | -                           | 74,481,851                     |
| Unassigned                           | 15,001,000                  | -                           | -                             | -                           | 15,001,000                     |
|                                      | <u>                    </u> | <u>                    </u> | <u>                    </u>   | <u>                    </u> | <u>                    </u>    |
| Total fund balances                  | <u>134,078,341</u>          | <u>76,359,667</u>           | <u>56,714,062</u>             | <u>62,357,921</u>           | <u>329,509,991</u>             |
|                                      | <u>                    </u> | <u>                    </u> | <u>                    </u>   | <u>                    </u> | <u>                    </u>    |
| Total liabilities and fund balances  | <u>\$ 162,963,007</u>       | <u>\$ 80,665,793</u>        | <u>\$ 56,722,341</u>          | <u>\$ 69,251,484</u>        | <u>\$ 369,602,625</u>          |

The accompanying notes are an integral part of these financial statements.

ELK GROVE UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2020

Total fund balances - Governmental Funds \$ 329,509,991

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 \$1,426,787,933 and the accumulated depreciation is \$690,774,288 (Note 4). 735,713,645

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2020 consisted of (Note 6):

|                                       |                     |                 |
|---------------------------------------|---------------------|-----------------|
| Mello-Roos bonds                      | \$ (90,546,133)     |                 |
| General Obligation Bonds              | (182,550,000)       |                 |
| Accreted interest on bonds            | (950,923)           |                 |
| Unamortized premiums                  | (6,127,454)         |                 |
| Unamortized bond discounts            | 144,271             |                 |
| Net pension liability (Notes 8 and 9) | (749,359,000)       |                 |
| Lease-leaseback                       | (12,195,000)        |                 |
| Capitalized lease obligation          | (1,855,237)         |                 |
| Certificates of Participation         | (101,185,000)       |                 |
| Total OPEB liability (Note 10)        | (11,770,913)        |                 |
| Compensated absences                  | <u>(16,169,700)</u> |                 |
|                                       |                     | (1,172,565,089) |

Losses on the refunding of debt are recognized as expenditures in the period they are incurred. In the government-wide statements, they are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding debt. 5,365,914

Unmatured interest is not recognized until it is due and, therefore, is not accrued as a payable in governmental funds. (4,589,616)

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 (Notes 8 and 9):

|   |                     |             |
|---|---------------------|-------------|
| Deferred outflows of resources relating to pensions | 193,821,735         |             |
| Deferred inflows of resources relating to pensions  | <u>(42,607,000)</u> |             |
|   |                     | 151,214,735 |

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2020

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Deferred outflows and inflows of resources related to other postemployment benefits (OPEB): In governmental funds, deferred outflows and inflows of resources related to OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources related to OPEB are reported (Note 10)

Deferred outflows of resources relating to OPEB \$ 1,093,002

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Net position for the Self-Insurance Fund is:

9,852,179

Total net position - governmental activities

\$ 55,594,761

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The accompanying notes are an integral part of these financial statements.



ELK GROVE UNIFIED SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2020

|   | General<br>Fund       | Building<br>Fund     | Capital<br>Facilities<br>Fund | All<br>Non-Major<br>Funds | Total<br>Governmental<br>Funds |
|---|-----------------------|----------------------|-------------------------------|---------------------------|--------------------------------|
| Revenues:   |                       |                      |                               |                           |                                |
| Local Control Funding Formula:                            |                       |                      |                               |                           |                                |
| State apportionment                                       | \$ 461,590,258        | \$ -                 | \$ -                          | \$ 3,293,897              | \$ 464,884,155                 |
| Local sources   | <u>130,811,984</u>    | <u>-</u>             | <u>-</u>                      | <u>-</u>                  | <u>130,811,984</u>             |
| Total local control funding formula                       | <u>592,402,242</u>    | <u>-</u>             | <u>-</u>                      | <u>3,293,897</u>          | <u>595,696,139</u>             |
| Federal sources   | 35,107,001            | -                    | -                             | 22,677,817                | 57,784,818                     |
| Other state sources                                       | 108,246,699           | -                    | -                             | 17,509,296                | 125,755,995                    |
| Other local sources                                       | <u>7,975,230</u>      | <u>1,701,072</u>     | <u>21,070,244</u>             | <u>23,241,902</u>         | <u>53,988,448</u>              |
| Total revenues  | <u>743,731,172</u>    | <u>1,701,072</u>     | <u>21,070,244</u>             | <u>66,722,912</u>         | <u>833,225,400</u>             |
| Expenditures:   |                       |                      |                               |                           |                                |
| Current:  |                       |                      |                               |                           |                                |
| Certificated salaries                                     | 321,722,814           | -                    | -                             | 5,162,846                 | 326,885,660                    |
| Classified salaries                                       | 99,465,572            | -                    | 216,019                       | 12,507,296                | 112,188,887                    |
| Employee benefits   | 211,951,965           | -                    | 102,893                       | 8,605,894                 | 220,660,752                    |
| Books and supplies  | 24,027,909            | 25,558               | -                             | 9,833,725                 | 33,887,192                     |
| Contract services and operating expenditures              | 69,740,559            | 20,617               | 92,943                        | 3,046,370                 | 72,900,489                     |
| Other outgo   | 4,047,224             | -                    | -                             | 90,630                    | 4,137,854                      |
| Capital outlay  | 6,364,117             | 36,452,314           | 10,823                        | 32,338,380                | 75,165,634                     |
| Debt service:   |                       |                      |                               |                           |                                |
| Principal retirement                                      | 430,538               | -                    | -                             | 16,902,000                | 17,332,538                     |
| Interest  | <u>68,573</u>         | <u>-</u>             | <u>-</u>                      | <u>14,435,201</u>         | <u>14,503,774</u>              |
| Total expenditures  | <u>737,819,271</u>    | <u>36,498,489</u>    | <u>422,678</u>                | <u>102,922,342</u>        | <u>877,662,780</u>             |
| Excess (deficiency) of revenues over (under) expenditures | <u>5,911,901</u>      | <u>(34,797,417)</u>  | <u>20,647,566</u>             | <u>(36,199,430)</u>       | <u>(44,437,380)</u>            |
| Other financing sources (uses):                           |                       |                      |                               |                           |                                |
| Transfers in  | 5,726,171             | -                    | 7,895,822                     | 20,401,363                | 34,023,356                     |
| Transfers out   | <u>(289,152)</u>      | <u>-</u>             | <u>(11,592,000)</u>           | <u>(17,758,328)</u>       | <u>(29,639,480)</u>            |
| Total other financing sources (uses)                      | <u>5,437,019</u>      | <u>-</u>             | <u>(3,696,178)</u>            | <u>2,643,035</u>          | <u>4,383,876</u>               |
| Net change in fund balances                               | 11,348,920            | (34,797,417)         | 16,951,388                    | (33,556,395)              | (40,053,504)                   |
| Fund balances, July 1, 2019                               | <u>122,729,421</u>    | <u>111,157,084</u>   | <u>39,762,674</u>             | <u>95,914,316</u>         | <u>369,563,495</u>             |
| Fund balances, June 30, 2020                              | <u>\$ 134,078,341</u> | <u>\$ 76,359,667</u> | <u>\$ 56,714,062</u>          | <u>\$ 62,357,921</u>      | <u>\$ 329,509,991</u>          |

The accompanying notes are an integral part of these financial statements.

ELK GROVE 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  | \$ (40,053,504) |
| Amounts reported for governmental activities in the statement of<br>are different because:  |                 |
| Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).  | 74,366,665      |
| Depreciation of capital assets is an expense that is not recorded in governmental funds (Note 4).   | (49,105,667)    |
| Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 6).   | 17,332,538      |
| Accreted interest on capital appreciation bonds is recognized in period it is incurred. In governmental funds it is only recognized when it is due (Note 6).  | (120,875)       |
| Debt issue premiums and discounts are recognized as revenues in the period they are incurred. In government-wide statements, issue premiums are amortized over the life of the debt (Note 6).   | 112,272         |
| Post employment benefits other than pension (OPEB) are recognized when employer contributions are made in the governmental funds, and in the statement of activities are recognized on the accrual basis (Notes 6 and 10).  | 1,038,296       |
| In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 6).   | (2,476,243)     |
| In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: | (42,416,188)    |
| Interest on long-term liabilities is recognized in the period incurred, in governmental funds it is recognized when due.  | (2,200,145)     |

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(Continued)

ELK GROVE 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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|   |                    |                        |
|---|--------------------|------------------------|
| Losses on the refunding of debt are recognized as expenditures in the period they are incurred. In the government-wide statements, they are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding debt. | \$ (277,955)       |                        |
| Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Change in net position for the Self-Insurance Fund is:  | <u>(2,292,530)</u> | <u>(6,039,832)</u>     |
| Change in net position of governmental activities   |                    | <u>\$ (46,093,336)</u> |

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The accompanying notes are an integral part of these financial statements.

ELK GROVE UNIFIED SCHOOL DISTRICT  
STATEMENT OF FUND NET POSITION – PROPRIETARY FUND  
SELF-INSURANCE FUND  
June 30, 2020

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**ASSETS**

Current assets:

Cash and investments:

|                                |               |
|--------------------------------|---------------|
| Cash in County Treasury        | \$ 19,769,093 |
| Cash on hand and in banks      | 95,416        |
| Cash with Fiscal Agent/Trustee | 659,438       |
| Receivables                    | 166,915       |
| Due from other funds           | <u>35</u>     |

Total current assets 20,690,897

**LIABILITIES**

Current liabilities:

|   |                |
|---|----------------|
| Accounts payable                                    | 253,548        |
| Due to other funds                                  | 4,383,876      |
| Current unpaid claims and claims adjustment expense | <u>593,000</u> |

Total current liabilities 5,230,424

Unpaid claims and claim adjustment expenses, less current portion 5,608,294

Total liabilities 10,838,718

**NET POSITION**

Unrestricted \$ 9,852,179

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The accompanying notes are an integral part of these financial statements.

ELK GROVE UNIFIED SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN  
FUND NET POSITION – PROPRIETARY FUND  
SELF-INSURANCE FUND  
For the Year Ended June 30, 2020

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|   |                     |
|---|---------------------|
| Operating revenues:                                       |                     |
| Other local revenue                                       | \$ 976,369          |
| Operating expenses  |                     |
| Classified salaries                                       | 253,317             |
| Employee benefits   | 131,687             |
| Books, supplies and other expenses                        | 564                 |
| Provision for unpaid claims and claim adjustment expenses | <u>(1,070,668)</u>  |
| Total operating expense                                   | <u>(685,100)</u>    |
| Operating income  | 1,661,469           |
| Non-operating income:                                     |                     |
| Interest income   | <u>429,877</u>      |
| Income before transfers                                   | <u>2,091,346</u>    |
| Transfers to other District funds                         | <u>(4,383,876)</u>  |
| Change in net position                                    | (2,292,530)         |
| Net position, July 1, 2019                                | <u>12,144,709</u>   |
| Net position, June 30, 2020                               | <u>\$ 9,852,179</u> |

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The accompanying notes are an integral part of these financial statements.

ELK GROVE UNIFIED SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS – PROPRIETARY FUND  
SELF-INSURANCE FUND  
For the Year Ended June 30, 2020

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|   |                      |
|---|----------------------|
| Cash flows from operating activities:   |                      |
| Cash received from self-insurance premiums  | \$ 9,313,563         |
| Cash paid for salaries, benefits and services   | (385,004)            |
| Cash paid for services and supplies   | (1,435,718)          |
| Cash paid for claims  | <u>(903,166)</u>     |
| Net cash provided by operating activities   | 6,589,675            |
| Cash flows from noncapital financing activities:  |                      |
| Transfers to other District funds   | <u>(4,383,876)</u>   |
| Cash provided by investing activities:  |                      |
| Interest income   | <u>429,877</u>       |
| Change in cash and investments  | 2,635,676            |
| Cash and investments, July 1, 2019  | <u>17,888,271</u>    |
| Cash and investments, June 30, 2020   | <u>\$ 20,523,947</u> |
| Reconciliation of operating income to net cash provided by operating activities:        |                      |
| Operating income  | \$ <u>1,661,469</u>  |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                      |
| (Increase) decrease in:   |                      |
| Receivables   | (205)                |
| Due from other funds  | 3,953,522            |
| Increase (decrease) in:   |                      |
| Due to other funds  | (1,435,717)          |
| Unpaid claims and claim adjustment expenses   | <u>4,383,876</u>     |
|   | <u>(1,973,270)</u>   |
| Total adjustments   | <u>4,928,206</u>     |
| Net cash used in operating activities   | <u>\$ 6,589,675</u>  |

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The accompanying notes are an integral part of these financial statements.

ELK GROVE UNIFIED SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
TRUST AND AGENCY FUNDS  
June 30, 2020

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|                                   | <u>Trust Fund</u><br>Scholarship<br>Fund | <u>Agency Fund</u><br>Student<br>Body |
|-----------------------------------|--|---------------------------------------|
| <b>ASSETS</b>                     |  |                                       |
| Cash on hand and in bank (Note 2) | \$ 53,768                                | \$ 5,090,452                          |
| Stores inventory                  | <u>-</u>                                 | <u>98,391</u>                         |
| Total assets                      | <u>53,768</u>                            | <u>\$ 5,188,843</u>                   |
| <b>LIABILITIES</b>                |  |                                       |
| Due to student/ student groups    | <u>-</u>                                 | <u>5,188,843</u>                      |
| <b>NET POSITION</b>               |  |                                       |
| Restricted for scholarship funds  | <u>\$ 53,768</u>                         |                                       |

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The accompanying notes are an integral part of these financial statements.

ELK GROVE UNIFIED SCHOOL DISTRICT  
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION  
TRUST FUND  
For the Year Ended June 30, 2020

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|   | Scholarship<br>Fund     |
|---|-------------------------|
| Additions:                                      |                         |
| Other local source                              | \$ 8,293                |
| Deductions:                                     |                         |
| Contract services and operating<br>expenditures | <u>8,200</u>            |
| Change in net position                          | 93                      |
| Net position, July 1, 2019                      | <u>53,675</u>           |
| Net position, June 30, 2020                     | <u><u>\$ 53,768</u></u> |

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The accompanying notes are an integral part of these financial statements.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Elk Grove 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. The following is a summary of the more 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 Elk Grove Unified School 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 and Elk Grove Unified School District Community Facilities District No. 1 (the "Facilities District") have a financial and operational relationship which meet the reporting entity definition criteria of the *Codification of Governmental Accounting and Financial Reporting Standards, Section 2100*, for inclusion of the Facilities District as a component unit of the District. Therefore, the financial activities of the Facilities District have been included in the basic financial statements of the District as a blended component unit (see Note 13).

The following are those aspects of the relationship between the District and the Facilities District which satisfy Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, criteria:

**A - Manifestations of Oversight**

1. The Facilities District's Boards of Directors were appointed by the District's Board of Education.
2. The Facilities District has no employees. The District's Superintendent and Deputy Superintendent of Business Services and Facilities Administration function act as agents of the Facilities District. Neither individual received additional compensation for work performed in this capacity.
3. The District exercises significant influence over operations of the Facilities District as it is anticipated that the District will be the sole lessee of all facilities owned by the Facilities District.

**B - Accounting for Fiscal Matters**

1. All major financing arrangements, contracts, and other transactions of the Facilities District must have the consent of the District.
2. Any deficits incurred by the Facilities District will be reflected in the lease payments of the District. Any surpluses of the Facilities District revert to the District at the end of the lease period.
3. It is anticipated that the District's lease payments will be the sole revenue source of the Facilities District.
4. The District has assumed a "moral obligation," and potentially a legal obligation, for any debt incurred by the Facilities District.

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(Continued)

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

C - Scope of Public Service and Financial Presentation

1. The Facilities District was created for the sole purpose of financially assisting the District.
2. The Corporation is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State. The Authority was created pursuant to a joint powers agreement between the District and the California Statewide Communities Development Authority, pursuant to the California Government Code, commencing with Section 6500. The Facilities District was formed to provide financing assistance to the District for construction and acquisition of major capital facilities. Upon completion the District intends to occupy all Facilities District facilities. When the Facilities District's Certificates of Participation have been paid with state reimbursements and the District's developer fees, title of all Facilities District property will pass to the District for no additional consideration.
3. The Facilities District's financial activity is presented in the financial statements in the Capital Projects Fund. Certificates of Participation issued by the Facilities District are included in the government-wide financial statements.

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

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

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.

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(Continued)

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

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, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

**A - Major Funds**

**General Fund:**

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

**Building Fund:**

The Building Fund is a capital projects fund used to account for resources used for the acquisition or construction of major capital facilities and equipment.

**Capital Facilities Fund:**

The Capital Facilities Fund is a capital projects fund used to account for resources used for the acquisition or construction of major capital facilities and equipment.

**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 includes the Charter Schools, Adult Education, Child Development, Cafeteria and Deferred Maintenance Funds.

**Capital Projects Funds:**

Capital Projects Funds are used to account for resources used for the acquisition or construction of major capital facilities and equipment. This includes the State School Facilities, Special Reserve for Capital Outlay and Capital Projects Funds.

**Debt Service Funds:**

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. This includes the Bond Interest and Redemption and Mello-Roos Administrative Funds.

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(Continued)

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

**Self-Insurance Fund:**

The Self-Insurance Fund is an internal service fund used to account for services rendered on a cost-reimbursement basis within the District to provide workers' compensation benefits to District employees. The principal operating revenues for the self-insurance fund are premiums received and related income. Operating expenses for the self-insurance fund include the cost of salaries, benefits, services and claims. All revenue and expenses not deemed as operating are reported as non-operating revenues and expenses.

**Expendable Trust Funds:**

The Expendable Trust Fund is a fiduciary fund used to account for assets held by the District as Trustee. The District maintains one trust fund, the Scholarship Fund, which is used to provide financial assistance to students of the District.

**Student Body Funds:**

Student Body Funds are Agency Funds used to account for the various funds for which the District has an agency relationship with the activity of the fund. The Student Body Funds account for the receipt and disbursement of monies from the student activity organizations.

Basis of Accounting: Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the 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 proprietary and 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 in 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.

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 needed as of June 30, 2020.

Stores Inventory: Inventory is stated at cost (average cost) which does not exceed replacement cost. Inventory consists of expendable supplies held for future use in the following period by the District's operating units, transportation supplies, and food held for consumption. Maintenance and other supplies held for physical plant repair are not included in inventory; rather, these amounts are recorded as expenditures when purchased.

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(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2020

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

Capital Assets: Capital assets purchased or acquired, with an original cost of \$10,000 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. Capital assets are depreciated using the straight-line method over 4 - 30 years depending on asset types.

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, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), 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 is included in the Statement of Net Position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter life of the refunded or refunding debt. Additionally, the District has recognized deferred outflow of resources related to recognition of the net pension liability and total OPEB liability reported in the Statement of Net Position.

In addition to liabilities, the Statement of Net Position will sometimes report 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 a future period(s) 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 reported in the Statement of Net Position.

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.

|                                | <u>STRP</u>           | <u>PERF B</u>         | <u>Total</u>          |
|--------------------------------|-----------------------|-----------------------|-----------------------|
| Deferred outflows of resources | \$ 144,526,320        | \$ 49,295,415         | \$ 193,821,735        |
| Deferred inflows of resources  | \$ 40,613,000         | \$ 1,994,000          | \$ 42,607,000         |
| Net pension liability          | <u>\$ 534,293,000</u> | <u>\$ 215,066,000</u> | <u>\$ 749,359,000</u> |
| Pension expense                | <u>\$ 117,527,485</u> | <u>\$ 48,404,809</u>  | <u>\$ 165,932,294</u> |

Compensated Absences: Compensated absences benefits totaling \$16,169,700 are recorded as a liability of the District.

Accumulated Sick Leave: Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expenditure 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 vested STRS and PERS employees, when the employee retires.

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(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

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

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

Net Position: Net position is displayed in three components:

1 - Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

2 - 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 the portion of net position restricted to specific program expenditures. 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 available for the retirement of debt. It is the District's policy to use restricted net position first when allowable expenditures are incurred. The restriction for trust fund represents the portion of net position restricted for scholarships.

3 - Unrestricted Net Position - All other net position that does not meet the definition of "restricted" or "net investment 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, prepaid expenditures and stores inventory.

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(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

**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 and fiduciary trust fund statements.

**C - Committed Fund Balance:**

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance. At 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. The Board of Education can designate personnel within the District to assign fund balances, however, as of June 30, 2020, no such designation has occurred.

**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 Statement of Net Position for Fiduciary Funds represents the assets, liabilities and trust and agency accounts of various student organizations and scholarship funds within the District. As the funds are custodial in nature, no measurement of operating results is involved.

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(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2020

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

Property Taxes: Secured property taxes are attached as an enforceable lien on property as of March 1. Taxes are due in two installments on or before December 10 and April 10. Unsecured property taxes are due in one installment on or before August 31. The County of Sacramento bills and collects taxes for the District. Tax revenues are recognized by the District when received.

Estimates: The preparation of 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 consisted of the following:

|                           | <u>Governmental<br/>Activities</u> | <u>Fiduciary<br/>Activities</u> | <u>Business Type<br/>Activities</u> |
|---------------------------|------------------------------------|---------------------------------|-------------------------------------|
| Pooled Funds:             |                                    |                                 |                                     |
| Cash in County Treasury   | \$ 251,350,657                     | \$ -                            | \$ 19,769,093                       |
| Cash with Fiscal Agent    | 36,826,646                         | -                               | -                                   |
| Deposits:                 |                                    |                                 |                                     |
| Cash on hand and in banks | 158,178                            | 5,144,220                       | -                                   |
| Revolving cash fund       | 151,242                            | -                               | -                                   |
| Cash awaiting deposit     | <u>3,059,516</u>                   | <u>-</u>                        | <u>-</u>                            |
| Total                     | <u>\$ 291,546,239</u>              | <u>\$ 5,144,220</u>             | <u>\$ 19,769,093</u>                |

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest bearing Sacramento County Treasury 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 pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

Cash with Fiscal Agent: Cash with Fiscal Agent represents funds held by Fiscal Agents restricted for bond project expenditures, repayment of Mello-Roos and General Obligation Bonds and Self Insurance claims. The District holds their funds with the Sacramento County Treasurer. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

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(Continued)



ELK GROVE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2020

**NOTE 2 - CASH AND INVESTMENTS (Continued)**

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 of the District's accounts was \$5,453,640 and the bank balance was \$5,565,738. \$537,317 of the bank balance was FDIC insured and \$5,028,421 remained uninsured, but collateralized.

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 has adopted the County Treasurer's 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.

**NOTE 3 - INTERFUND TRANSACTIONS**

Interfund Activity: Transactions between funds of the District are recorded as interfund transfers, except for the Self-Insurance Fund activity which is recorded as income and expenditures of the Self-Insurance Fund and the General Fund, respectively. 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: Interfund receivable and payable balances at June 30, 2020 were as follows:

| <u>Fund</u>                        | <u>Interfund<br/>Receivables</u> | <u>Interfund<br/>Payables</u> |
|------------------------------------|----------------------------------|-------------------------------|
| Major Funds:                       |                                  |                               |
| General                            | \$ 7,139,515                     | \$ 2,115,219                  |
| Building Fund                      | 7,264                            | 9,905                         |
| Capital Facilities                 | -                                | 1,552                         |
| Non-Major Funds:                   |                                  |                               |
| Charter Schools                    | -                                | 113,366                       |
| Adult Education                    | 398,828                          | 103,887                       |
| Child Development                  | 193,323                          | 450,970                       |
| Cafeteria                          | 1,497,155                        | 2,079,158                     |
| State School Facilities            | -                                | 817                           |
| Special Reserve for Capital Outlay | 9,694                            | 7,265                         |
| Capital Projects                   | 27,625                           | 220,227                       |
| Mello-Roos Administrative          | 212,803                          |                               |
| Proprietary Fund:                  |                                  |                               |
| Self-Insurance                     | 35                               | 4,383,876                     |
| Total                              | <u>\$ 9,486,242</u>              | <u>\$ 9,486,242</u>           |

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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**NOTE 3 - INTERFUND TRANSACTIONS (Continued)**

Transfers: Transfers for the 2019-2020 fiscal year were as follows:

|   |                      |
|---|----------------------|
| Transfer from the Capital Facilities Fund to the State School Facilities Fund for Sun creek Middle School/High School, Laguna Ridge East Elementary School Crooked Creek Elementary School, unused construction funds | \$ 11,592,000        |
| Transfer from the State School Facilities Fund to the Capital Facilities fund for reimbursement of State funding for Dillard Elementary School  | 7,895,822            |
| Transfer from the Mello-Roos Administrative Fund to the Capital Projects Fund for repay temporary borrowing.  | 4,416,355            |
| Transfer from the Self Insurance Fund to the General Fund for transfer of excess reserves.  | 4,383,876            |
| Transfer from the Capital Projects Fund to the State School Facilities Fund for the new Franklin Elementary School Project  | 1,692,892            |
| Transfer from the State School Facilities Fund to the Capital Projects Fund for unused construction funds from McGarvey Elementary School.  | 1,200,000            |
| Transfer from the Capital Projects Fund to the Mello-Roos Administrative Fund for lease payments  | 1,065,071            |
| Transfer from the Cafeteria Fund to the General Fund for indirect costs.  | 777,524              |
| Transfer from the Child Development Fund to the General Fund for indirect costs.  | 267,993              |
| Transfer from the General Fund to the Child Development Fund for contribution costs   | 197,985              |
| Transfer from the Adult Education Fund to the General Fund for indirect costs   | 183,607              |
| Transfer from the Mello-Roos Administrative Fund to the Capital Projects Fund for excess tax.   | 145,893              |
| Transfer from the Charter School Fund to the General Fund for indirect costs  | 113,171              |
| Transfer from the General Fund to the Cafeteria Fund to support operations.   | 91,167               |
|   | <u>\$ 34,023,356</u> |

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(Continued)

ELK GROVE 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<br>July 1,<br><u>2019</u> | Transfers<br>and<br><u>Additions</u> | Transfers<br>and<br><u>Deletions</u> | Balance<br>June 30,<br><u>2020</u> |
|--------------------------------|-----------------------------------|--------------------------------------|--------------------------------------|------------------------------------|
| Non-depreciable:               |                                   |                                      |                                      |                                    |
| Land                           | \$ 158,357,886                    | \$ -                                 | \$ -                                 | \$ 158,357,886                     |
| Work-in-process                | 35,904,732                        | 42,475,498                           | 23,317,213                           | 55,063,017                         |
| Depreciable:                   |                                   |                                      |                                      |                                    |
| Improvement of sites           | 88,370,681                        | 1,219,363                            | -                                    | 89,590,044                         |
| Buildings                      | 1,020,742,297                     | 49,163,897                           | -                                    | 1,069,906,194                      |
| Equipment                      | 49,681,428                        | 4,825,120                            | 935,756                              | 53,570,792                         |
|                                | <u>1,353,057,024</u>              | <u>97,683,878</u>                    | <u>24,252,969</u>                    | <u>1,426,487,933</u>               |
| Totals, at cost                |                                   |                                      |                                      |                                    |
| Less accumulated depreciation: |                                   |                                      |                                      |                                    |
| Improvement of sites           | (37,490,794)                      | (4,457,962)                          | -                                    | (41,948,756)                       |
| Buildings                      | (574,204,451)                     | (41,622,582)                         | -                                    | (615,827,033)                      |
| Equipment                      | (30,909,132)                      | (3,025,123)                          | (935,756)                            | (32,998,499)                       |
|                                | <u>(642,604,377)</u>              | <u>(49,105,667)</u>                  | <u>(935,756)</u>                     | <u>(690,774,288)</u>               |
| Total accumulated depreciation |                                   |                                      |                                      |                                    |
| Capital assets, net            | <u>\$ 710,452,647</u>             | <u>\$ 48,578,211</u>                 | <u>\$ 23,317,213</u>                 | <u>\$ 735,713,645</u>              |

Depreciation expense was charged to governmental activities as follows:

|             |                      |
|-------------|----------------------|
| Instruction | <u>\$ 49,105,667</u> |
|-------------|----------------------|

At June 30, 2020, the District had outstanding construction contract commitments of approximately \$50 million.

**NOTE 5 - SELF-INSURANCE**

The District is self-insured for workers' compensation. For accounting and reporting purposes, the District has established a separate Self-Insurance Fund for workers' compensation. For the year ended June 30, 2020, the District provides coverage up to a maximum of \$500,000 for each workers' compensation claim. The District participates in a public entity risk pool for claims in excess of coverage provided by the Fund (Note 12). In each of the past three years settled claims did not exceed the coverage level provided by the Fund and no claims were made of the excess coverage. There has been no reduction in coverage since the prior year.

The claims liability of \$6,201,294 at June 30, 2020 was actuarially determined based on the requirements of Governmental Accounting Standards Statement No. 10. This liability was discounted using an expected future investment yield assumption of 0.5 percent.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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**NOTE 5 - SELF-INSURANCE** (Continued)

Changes in the District's unpaid claims and claim adjustment expenses for the years ended June 30, 2020 and June 30, 2019 were as follows:

|           | Unpaid Claims<br>and Claim<br>Adjustment<br>Expenses<br><u>July 1</u> | Incurred<br>Claims | Claims<br>Payments | Unpaid Claims<br>and Claim<br>Adjustment<br>Expenses<br><u>June 30</u> |
|-----------|---|--------------------|--------------------|--|
| 2019/2020 | \$ 8,174,564  | \$ (986,844)       | \$ (986,426)       | \$ 6,201,294   |
| 2018/2019 | \$ 10,571,942   | \$ (842,406)       | \$ (1,554,972)     | \$ 8,174,564   |

**NOTE 6 - LONG-TERM LIABILITIES**

Mello-Roos Bonds Payable: A summary of Mello-Roos Bonds payable at June 30, 2020 follows:

| <u>Series</u> | <u>Interest<br/>Rate</u> | <u>Original<br/>Maturity</u> | <u>Balance<br/>July 1,<br/>2019</u> | <u>Current<br/>Year<br/>Issuance</u> | <u>Current<br/>Year<br/>Maturities</u> | <u>Balance<br/>June 30,<br/>2020</u> |
|---------------|--------------------------|------------------------------|-------------------------------------|--------------------------------------|--|--------------------------------------|
| 1995          | 4.0 - 6.5%               | 2024                         | \$ 13,055,000                       | \$ -                                 | \$ 2,735,000                           | \$ 10,320,000                        |
| 2008          | 6.75%                    | 2037                         | 651,133                             | -                                    | -                                      | 651,133                              |
| 2012          | 0.50-4.05%               | 2033                         | <u>80,240,000</u>                   | <u>-</u>                             | <u>665,000</u>                         | <u>79,575,000</u>                    |
|               |                          |                              | <u>\$ 93,946,133</u>                | <u>\$ -</u>                          | <u>\$ 3,400,000</u>                    | <u>\$ 90,546,133</u>                 |

The Series 1995, 2008, and 2012 Serial Bonds are authorized pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, and are payable from the proceeds of an annual Special Tax to be levied and collected from property within the District or from escrow accounts in the case of refunding bonds. The Special Tax is to be levied according to the rate and method of apportionment determined by a formula approved by the Board, as the legislative body of the District, and by the registered voters within the District (see Note 13). With the issuance of the 2016 Certificates of Participation in April 2016 the 2008 Mello-Roos Bonds were partially refunded. At June 30, 2020 \$651,133 is outstanding related to the 2008 Mello-Roos Bonds.

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(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 6 - LONG-TERM LIABILITIES (Continued)**

The annual requirements to amortize the Mello-Roos Bonds payable outstanding as of June 30, 2020 are as follows:

| Year Ending<br><u>June 30,</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>          |
|--------------------------------|----------------------|----------------------|-----------------------|
| 2021                           | \$ 3,600,000         | \$ 3,206,787         | \$ 6,806,787          |
| 2022                           | 3,810,000            | 3,015,137            | 6,825,137             |
| 2023                           | 5,625,000            | 2,812,887            | 8,437,887             |
| 2024                           | 5,855,000            | 2,576,024            | 8,431,024             |
| 2025                           | 6,100,000            | 2,327,925            | 8,427,925             |
| 2026-2030                      | 33,740,000           | 8,512,624            | 42,252,624            |
| 2031-2035                      | 31,165,000           | 2,468,306            | 33,633,306            |
| 2036-2037                      | 651,133              | -                    | 651,133               |
|                                | <u>\$ 90,546,133</u> | <u>\$ 24,919,690</u> | <u>\$ 115,465,823</u> |

General Obligation Bonds: In May 2017, the District issued 2017 General Obligation bonds in the amount of \$82,100,000. The proceeds were used to fund specific school facilities projects within the district. The Bonds bear interest at rates ranging from 3.375% to 5.0%, and are scheduled to mature through August 2046.

In February 2019, the District issued Election of 2016, Series 2019 General Obligation bonds in the amount of \$121,000,000. The proceeds were used to fund specific school facilities projects within the district. The Bonds bear interest at rates ranging from 3.0% to 5.0%, and are scheduled to mature through August 2048.

A summary of General Obligation Bonds payable as of June 30, 2020 are as follows:

| <u>Series</u> | <u>Interest Rate</u> | <u>Original Maturity</u> | <u>Balance July 1, 2019</u> | <u>Current Year Issuance</u> | <u>Current Year Maturities</u> | <u>Balance June 30, 2020</u> |
|---------------|----------------------|--------------------------|-----------------------------|------------------------------|--------------------------------|------------------------------|
| 2017          | 3.375-5.0%           | 2047                     | \$ 72,000,000               | \$ -                         | \$ 10,450,000                  | \$ 61,550,000                |
| 2019          | 3.0-5.0%             | 2049                     | <u>121,000,000</u>          | <u>-</u>                     | <u>-</u>                       | <u>121,000,000</u>           |
|               |                      |                          | <u>\$ 193,000,000</u>       | <u>\$ -</u>                  | <u>\$ 10,450,000</u>           | <u>\$ 182,550,000</u>        |

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2020

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**NOTE 6 - LONG-TERM LIABILITIES (Continued)**

The following is a schedule of the future payments for the 2017 General Obligation Bonds:

| Year Ending<br>June 30, | Principal             | Interest              | Total                 |
|-------------------------|-----------------------|-----------------------|-----------------------|
| 2021                    | \$ 5,700,000          | \$ 6,770,381          | \$ 12,470,381         |
| 2022                    | 8,100,000             | 6,425,381             | 14,525,381            |
| 2023                    | -                     | 6,222,881             | 6,222,881             |
| 2024                    | -                     | 6,222,881             | 6,222,881             |
| 2025                    | -                     | 6,222,881             | 6,222,881             |
| 2026-2030               | 1,185,000             | 31,090,706            | 32,275,706            |
| 2031-2035               | 20,305,000            | 29,225,563            | 49,530,563            |
| 2036-2040               | 35,350,000            | 24,799,991            | 60,149,991            |
| 2041-2045               | 56,125,000            | 16,870,420            | 72,995,420            |
| 2046-2049               | 55,785,000            | 4,332,100             | 60,117,100            |
|                         | <u>\$ 182,550,000</u> | <u>\$ 138,183,185</u> | <u>\$ 320,733,185</u> |

Certificates of Participation: On April 7, 2016, the District issued 2016 Certificates of Participation in the amount of \$109,910,000. The proceeds were used to refund \$77,515,000 of the District's Mello Roos Bonds of 2003, 2005 and 2008 and issue \$30,890,000 of new Certificates of Participation. The Certificates of Participation bear interest at rates ranging from 3.0% to 5.0%, and are scheduled to mature through February 2040.

The following is a schedule of the future payments for the 2016 Certificates of Participation:

| Year Ending<br>June 30, | Principal             | Interest             | Total                 |
|-------------------------|-----------------------|----------------------|-----------------------|
| 2021                    | \$ 2,760,000          | \$ 3,439,819         | \$ 6,199,819          |
| 2022                    | 2,895,000             | 3,301,819            | 6,196,819             |
| 2023                    | 1,390,000             | 3,157,069            | 4,547,069             |
| 2024                    | 1,460,000             | 3,087,569            | 4,547,569             |
| 2025                    | 1,520,000             | 3,014,569            | 4,534,569             |
| 2026-2030               | 8,625,000             | 13,863,593           | 22,488,593            |
| 2031-2035               | 25,225,000            | 11,750,593           | 36,975,593            |
| 2036-2040               | 57,310,000            | 5,479,300            | 62,789,300            |
|                         | <u>\$ 101,185,000</u> | <u>\$ 47,094,331</u> | <u>\$ 148,279,331</u> |

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(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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**NOTE 6 - LONG-TERM LIABILITIES (Continued)**

Capitalized Lease Obligations: The District is leasing equipment under long-term lease purchase agreements with capitalized value of \$4,385,237 and accumulated depreciation of \$2,302,249. The following is a summary of future payments on the capital leases:

| Year Ending<br><u>June 30,</u>        | <u>Payment</u>             |
|---------------------------------------|----------------------------|
| 2021                                  | \$ 499,111                 |
| 2022                                  | 499,111                    |
| 2023                                  | 499,111                    |
| 2024                                  | <u>499,111</u>             |
| Total payments                        | 1,996,444                  |
| Less amount representing interest     | <u>(141,207)</u>           |
| Net present value of minimum payments | <u><u>\$ 1,855,237</u></u> |

Lease-Leaseback: In February 2019 the District entered into a lease-leaseback agreement to lease real property and improvements, Harriet G. Eddy Middle School, to Public Property Financing Corporation of California and sublease the property and improvements back. The Lease-Leaseback bears interest at 3.0%, and is scheduled to mature through February 2040. The following is a summary of future payments on the lease-leaseback:

| Year Ending<br><u>June 30,</u> | <u>Principal</u>            | <u>Interest</u>            | <u>Total</u>                |
|--------------------------------|-----------------------------|----------------------------|-----------------------------|
| 2021                           | \$ 425,000                  | \$ 425,606                 | \$ 850,606                  |
| 2022                           | 440,000                     | 410,773                    | 850,773                     |
| 2023                           | 458,000                     | 395,417                    | 853,417                     |
| 2024                           | 470,000                     | 379,433                    | 849,433                     |
| 2025                           | 490,000                     | 363,030                    | 853,030                     |
| 2026-2030                      | 2,706,000                   | 1,547,292                  | 4,253,292                   |
| 2031-2035                      | 3,225,000                   | 1,041,694                  | 4,266,694                   |
| 2036-2040                      | <u>3,981,000</u>            | <u>427,560</u>             | <u>4,408,560</u>            |
|                                | <u><u>\$ 12,195,000</u></u> | <u><u>\$ 4,990,805</u></u> | <u><u>\$ 17,185,805</u></u> |

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(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 6 - LONG-TERM LIABILITIES (Continued)**

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

|  | Balance<br>July 1, 2019 | Additions            | Deletions            | June 30,<br>2020        | Amounts<br>Due Within<br>One Year |
|--|-------------------------|----------------------|----------------------|-------------------------|-----------------------------------|
| <u>Debt:</u>                             |                         |                      |                      |                         |                                   |
| Mello-Roos bonds                         | \$ 93,946,133           | \$ -                 | \$ 3,400,000         | \$ 90,546,133           | \$ 3,600,000                      |
| General Obligation Bonds                 | 193,000,000             | -                    | 10,450,000           | 182,550,000             | 5,700,000                         |
| Accreted Interest on bonds               | 830,048                 | 120,875              | -                    | 950,923                 | -                                 |
| Unamortized bond premiums                | 6,250,824               | -                    | 123,370              | 6,127,454               | 185,392                           |
| Unamortized bond discounts               | (155,369)               | -                    | (11,098)             | (144,271)               | (11,098)                          |
| Certificates of participation            | 103,820,000             | -                    | 2,635,000            | 101,185,000             | 2,760,000                         |
| <u>Direct Placement Debt:</u>            |                         |                      |                      |                         |                                   |
| Lease-leaseback                          | 12,612,000              | -                    | 417,000              | 12,195,000              | 425,000                           |
| <u>Other Long-Term Liabilities:</u>      |                         |                      |                      |                         |                                   |
| Net pension liability<br>(Notes 8 and 9) | 714,408,000             | 34,951,000           | -                    | 749,359,000             | -                                 |
| Total OPEB liability (Note 10)           | 12,826,371              | -                    | 1,055,458            | 11,770,913              | -                                 |
| Capitalized lease obligation             | 2,285,775               | -                    | 430,538              | 1,855,237               | 443,454                           |
| Compensated absences                     | 13,693,457              | 2,476,243            | -                    | 16,169,700              | 16,169,700                        |
| Totals                                   | <u>\$ 1,153,517,239</u> | <u>\$ 37,548,118</u> | <u>\$ 18,500,268</u> | <u>\$ 1,172,565,089</u> | <u>\$ 29,272,448</u>              |

Payments on the Mello-Roos bonds, Lease-leaseback and Certificates of Participation are made from the Mello-Roos Administrative Fund. Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Premiums and discounts on bonds are amortized over the life of the related bonds. Payments on the capitalized lease obligation are made from the General Fund. Payments on OPEB and compensated absences are made from the fund for which the related employee worked.

(Continued)



ELK GROVE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 7 - FUND BALANCES**

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

|                                     | General<br>Fund       | Building<br>Fund     | Capital<br>Facilities<br>Fund | All<br>Non-Major<br>Funds | Total                 |
|-------------------------------------|-----------------------|----------------------|-------------------------------|---------------------------|-----------------------|
| Nonspendable:                       |                       |                      |                               |                           |                       |
| Revolving cash fund                 | \$ 140,000            | \$ -                 | \$ -                          | \$ 11,242                 | \$ 151,242            |
| Prepaid expenditures                | 407,934               | -                    | -                             | 1,750                     | 409,684               |
| Stores inventory                    | <u>588,109</u>        | <u>-</u>             | <u>-</u>                      | <u>691,527</u>            | <u>1,279,636</u>      |
| Subtotal nonspendable               | <u>1,136,043</u>      | <u>-</u>             | <u>-</u>                      | <u>704,519</u>            | <u>1,840,562</u>      |
| Restricted:                         |                       |                      |                               |                           |                       |
| Legally restricted programs         | 43,459,447            | -                    | -                             | 11,823,383                | 55,282,830            |
| Capital Projects                    | -                     | 76,359,667           | 56,714,062                    | 32,622,579                | 165,696,308           |
| Debt Service                        | <u>-</u>              | <u>-</u>             | <u>-</u>                      | <u>17,207,440</u>         | <u>17,207,440</u>     |
| Subtotal restricted                 | <u>43,459,447</u>     | <u>76,359,667</u>    | <u>56,714,062</u>             | <u>61,653,402</u>         | <u>238,186,578</u>    |
| Assigned:                           |                       |                      |                               |                           |                       |
| Future funding, Carryover           | <u>74,481,851</u>     | <u>-</u>             | <u>-</u>                      | <u>-</u>                  | <u>74,481,851</u>     |
| Unassigned:                         |                       |                      |                               |                           |                       |
| Designated for economic uncertainty | <u>15,001,000</u>     | <u>-</u>             | <u>-</u>                      | <u>-</u>                  | <u>15,001,000</u>     |
| Total fund balances                 | <u>\$ 134,078,341</u> | <u>\$ 76,359,667</u> | <u>\$ 56,714,062</u>          | <u>\$ 62,357,921</u>      | <u>\$ 329,509,991</u> |

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

*General Information about the State Teachers' Retirement Plan*

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

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

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

(Continued)

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

The Defined Benefit (DB) 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 36 consecutive months 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 36 consecutive months of credited service.

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

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.

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(Continued)

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

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 2019-20. 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 2019-20.

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.

Pursuant to AB 1469, employer contributions will increase from a prior rate of 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 CalSTRS board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The CalSTRS board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

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(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2020

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**NOTE 8 – 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> | <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<br>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 \$53,376,320 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.

Also, as a result of AB1469, 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 of the Defined Benefit Program is calculated based on creditable compensation from two fiscal years prior. The state rate increased to 5.811% 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 reductions in contributions. Additionally, the enactment 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)

ELK GROVE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

The CalSTRS state contribution rates effective for fiscal year 2020-2021 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) This rate does not include the \$2.2 billion supplemental state contribution on behalf of employers pursuant to SB 90.  
(3) 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%.  
(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 0 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, and 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                           | \$ 534,293,000 |
| State's proportionate share of the net pension liability associated with the District | 291,494,000    |
| Total   | \$ 825,787,000 |

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 0.592 percent, which was an increase of 0.027 from its proportion measured as of June 30, 2018.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2020

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

For the year ended June 30, 2020, the District recognized pension expense of \$117,527,485 and revenue of \$49,078,370 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<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Difference between expected and actual experience   | \$ 1,349,000                                  | \$ 15,056,000                                |
| Changes of assumptions  | 67,576,000                                    | -  |
| Net differences between projected and actual earnings on investments  | -   | 20,581,000                                   |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 22,225,000                                    | 4,976,000                                    |
| Contributions made subsequent to measurement date   | <u>53,376,320</u>                             | <u>-</u>                                     |
| Total   | <u>\$ 144,526,320</u>                         | <u>\$ 40,613,000</u>                         |

\$53,376,320 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<br><u>June 30,</u> |               |
|--------------------------------|---------------|
| 2021                           | \$ 14,124,900 |
| 2022                           | \$ (142,100)  |
| 2023                           | \$ 13,300,400 |
| 2024                           | \$ 19,800,400 |
| 2025                           | \$ 1,943,400  |
| 2026                           | \$ 1,510,000  |

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)

ELK GROVE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2020

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

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 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<br>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%                             | 4.8%   |
| Fixed Income                                 | 12                              | 1.3  |
| Real Estate Assets                           | 13                              | 3.6  |
| Private Equity                               | 13                              | 6.3  |
| Absolute Return / Risk Mitigating Strategies | 9                               | 1.8  |
| Inflation Sensitive                          | 4                               | 3.3  |
| Cash / Liquidity                             | 2                               | (0.4)  |

\* 20-year geometric average

(Continued)

**NOTE 8 – 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%<br>Decrease<br><u>(6.10%)</u> | Current<br>Discount<br>Rate <u>(7.10%)</u> | 1%<br>Increase<br><u>(8.10%)</u> |
|---|----------------------------------|--|----------------------------------|
| District’s proportionate share of the net pension liability | <u>\$ 795,607,000</u>            | <u>\$ 534,293,000</u>                      | <u>\$ 317,614,000</u>            |

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

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

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

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

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

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

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(Continued)



ELK GROVE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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**NOTE 9 – 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 district’s first join the PERF B, 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 7.00 percent of applicable member earnings for fiscal year 2019-20.

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

The District contributed \$21,061,415 to the plan for the fiscal year ended June 30, 2020.

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

At June 30, 2020, the District reported a liability of \$215,066,000 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 0.738 percent, which was an increase of 0.08 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$48,404,809. 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<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Difference between expected and actual experience   | \$ 15,622,000                                 | \$ -   |
| Changes of assumptions  | 10,238,000                                    | -  |
| Net differences between projected and actual earnings on investments  | -   | 1,994,000                                    |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 2,374,000                                     | -  |
| Contributions made subsequent to measurement date   | <u>21,061,415</u>                             | <u>-</u>                                     |
| Total   | <u>\$ 49,295,415</u>                          | <u>\$ 1,994,000</u>                          |

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

\$21,061,415 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<br><u>June 30,</u> |               |
|--------------------------------|---------------|
| 2021                           | \$ 19,638,834 |
| 2022                           | \$ 3,626,833  |
| 2023                           | \$ 2,408,833  |
| 2024                           | \$ 565,500    |

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 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.

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 include 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 2015, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS' website.

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(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2020

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

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*<br/>Assumed Asset<br/>Allocation</u> | <u>Expected Real<br/>Rate of Return<br/>Years (1-10)<sup>(1)</sup></u> | <u>Expected Real<br/>Rate of Return<br/>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 Assets | 13   | 3.75   | 4.93  |
| Liquidity          | 1  | -  | (0.92)  |

\* 10-year geometric average

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

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

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

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.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2020

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

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 7.15 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

|   | 1%<br>Decrease<br><u>(6.15%)</u> | Current<br>Discount<br>Rate <u>(7.15%)</u> | 1%<br>Increase<br><u>(8.15%)</u> |
|---|----------------------------------|--|----------------------------------|
| District’s proportionate share of the net pension liability | <u>\$ 310,004,000</u>            | <u>\$ 215,066,000</u>                      | <u>\$ 136,309,000</u>            |

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

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS**

Plan Description: In addition to the pension benefits described in Notes 8 and 9, the District provides post-employment health care benefits under a single employer defined benefit OPEB plan to all District employees who retired from the District prior to July 1, 2000 with ten years of service, and who immediately entered retirement status. The plan does not issue separate financial statements.

The District’s Governing Board has the authority to establish or amend the benefit terms offered by the Plan. The District’s Governing Board also retains the authority to establish the requirements for paying the Plan 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.

Employees Covered by Benefit Terms: The following is a table of plan participants at June 30, 2020:

|   | <u>Number of Participants</u> |
|---|-------------------------------|
| Inactive Plan members, covered spouses, or beneficiaries currently receiving benefits | 262                           |

Benefits Provided: The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. All salaried employees of the District are eligible to receive postemployment health care benefits. Hourly employees (i.e. non-salaried with variable work hours) are not eligible to receive postemployment health care benefits.

Contributions: California Government Code specifies that the District’s contribution requirements for covered employees are established and may be amended by the Governing Board. The District will pay the full premium of the lessor of the plans offered for the retiree or retiree and spouse.

Contributions to the Plan from the District were \$1,110,165 for the year ended June 30, 2020. Employees are not required to contribute to the OPEB plan.

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(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT  
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**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

*Total OPEB Liability*

The District's total OPEB liability was measured as of June 30, 2019.

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

|                                  |  |
|----------------------------------|--|
| <u>Valuation Date</u>            | June 30, 2019  |
| <u>Fiscal Year End</u>           | June 30  |
| <u>Actuarial Value of Assets</u> | Market Value   |
| <u>Mortality Rate</u>            | PERS - 2014 California PERS experience study. STRS - 2009 experience study.  |
| <u>Discount Rate</u>             | 3.5%. Based on the June 30, 2019 Bond Buyer 20-Bond Index, as published by the Federal Reserve.                    |
| <u>Assumed Investment Return</u> | Not applicable since the plan is unfunded.   |
| <u>Retirement Rate</u>           | No assumption due to lack of future retirees.  |
| <u>Inflation Rate</u>            | 2.75% per year   |
| <u>Salary Increases</u>          | No assumption due to lack of future retirees.  |
| <u>Administrative Expenses</u>   | None.  |
| <u>Dependent Coverage</u>        | Current retirees are valued based on elected coverage.   |
| <u>Health Plan Participation</u> | No assumption due to lack of future retirees.  |
| <u>Medicare Coverage</u>         | All participating retirees and spouses will qualify for Medicare coverage and enroll in Parts A and B upon age 65. |
| <u>Health Care Inflation</u>     | 4.00% per year   |
| <u>Termination Rate</u>          | No assumption due to lack of future retirees.  |
| <u>Disability Rate</u>           | None.  |
| <u>Medical Aging Factors</u>     | None.  |
| <u>Health Claims</u>             | None.  |
| <u>Funding Method</u>            | Entry Age Cost Method (Level Percentage of Pay).   |

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(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2020

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

Changes in Total OPEB Liability

|  | Total OPEB<br>Liability |
|--|-------------------------|
| Balance at June 30, 2019                           | \$ <u>12,826,371</u>    |
| Changes for the year:                              |                         |
| Service cost                                       | -                       |
| Interest   | 465,082                 |
| Changes of benefit terms                           | -                       |
| Differences between actual and expected experience | (64,591)                |
| Changes in assumptions                             | 236,642                 |
| Benefit payments                                   | (1,110,165)             |
| Experience (Gains)/Losses                          | (582,426)               |
| Administrative expenses                            | -                       |
| Net change   | <u>(1,055,458)</u>      |
| Balance at June 30, 2020                           | <u>\$ 11,770,913</u>    |

The changes in assumptions includes a change in the discount rate from 3.8% in the prior valuation, to 3.5% in the current valuation. There were no other changes between measurement date and the year ended June 30, 2020 which had a significant effect on the District's total OPEB liability.

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%<br>Decrease<br>(2.5%) | Current<br>Discount<br>Rate (3.5%) | 1%<br>Increase<br>(4.5%) |
|----------------------|--------------------------|------------------------------------|--------------------------|
| Total OPEB liability | \$ <u>12,630,000</u>     | \$ <u>11,770,913</u>               | \$ <u>11,015,841</u>     |

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2020

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

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%<br>Decrease<br>(3.0%) | Healthcare<br>Cost<br>Trend Rates<br>Rate (4.0%) | 1%<br>Increase<br>(5.0%) |
|----------------------|--------------------------|--|--------------------------|
| Total OPEB liability | \$ 11,012,401            | \$ 11,770,913                                    | \$ 12,616,908            |

For the year ended June 30, 2020, the District recognized OPEB expense of \$1,055,458.

\$1,104,644 reported as deferred outflows of resources related to benefits paid subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2021.

**NOTE 11 - ELK GROVE BENEFITS EMPLOYEE RETIREMENT TRUST**

Trust Description: Elk Grove Benefits Employee Retirement Trust (EGBERT) was established February 20, 1996 as an irrevocable trust pursuant to an agreement by and between the Elk Grove Education Association, the American Federation of State, County and Municipal Employees, the Amalgamated Transit Union, the Psychologists and Social Workers Association and Elk Grove Unified School District. EGBERT was established to provide health and welfare benefits as defined in Sections 3543.2 and 53200 of the Government Code through a Health and Welfare Plan (Plan) for the retired eligible employees of the District and their eligible dependents on an insured or self-funded basis through a trust qualified as non-profit under Section 501(c)(9) of the Internal Revenue Code as a Voluntary Employees' Beneficiary Association.

Participation in EGBERT is limited to District employees and District board members who qualify pursuant to appropriate board policies, and their respective dependents. Additionally, District employees who are not subject to the terms of a collective bargaining agreement, but who otherwise qualify for retirement health benefits pursuant to District policy, can participate in EGBERT.

Health care benefits consist of medical, dental and vision insurance coverage. Under the current agreement, EGBERT will provide lifetime health care benefits for qualified retired employees of the District who retire on or after July 1, 2000.

The District does not retain any obligation for benefits in the event of the trust insolvency. The District contributed \$10,880,141 to EGBERT for the year ended June 30, 2020.

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(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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**NOTE 12 - JOINT POWERS AGREEMENTS**

Schools Insurance Authority: The District is a member with other school districts of a Joint Powers Agreement, Schools Insurance Authority, for the operation of a common risk management and insurance program for property and liability coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage in the prior year.

The following is a summary of financial information of Schools Insurance Authority at June 30, 2019 (the latest information available):

|                         |                |
|-------------------------|----------------|
| Total assets            | \$ 174,147,032 |
| Total deferred outflows | \$ 1,922,631   |
| Total liabilities       | \$ 81,108,882  |
| Total deferred inflows  | \$ 591,817     |
| Total net position      | \$ 94,368,964  |
| Total revenues          | \$ 74,123,970  |
| Total expenditures      | \$ 59,203,873  |
| Change in net position  | \$ 14,920,097  |

The relationship between the District and the Joint Powers Authority is such that the Joint Powers Authority is not a component unit of the District for financial reporting purposes.

**NOTE 13 - ELK GROVE UNIFIED SCHOOL DISTRICT COMMUNITY FACILITIES DISTRICT NO. 1**

At an election held April 28, 1987 pursuant to the Mello-Roos Community Facilities act of 1982 of the California Government Code, registered voters within the boundaries of the District authorized the issuance of \$70,000,000 principal amount of special tax bonds ("the Bonds") to finance certain elementary and secondary school facilities, including classroom and related buildings, student transportation equipment, and student support facilities, and also approved a maximum rate and method of apportionment of a special tax to pay for the principal and interest on the Bonds. At a subsequent election held on March 10, 1998, registered voters within the boundaries of the District authorized the issuance of an additional \$205,000,000 principal amount of special tax bonds for the same purposes, and approved a maximum tax rate and method of apportionment of a special tax to pay for the principal and interest on bonds issued (see Note 6).

The County of Sacramento acts as agent for the District in collecting taxes, which are forwarded to the District for debt service and included in the County's agency funds with a corresponding liability recognized for the amounts due to the Facilities District bondholders. Construction projects are recorded in the District's capital project funds.

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(Continued)



**NOTE 14 - 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.

Also, the District has received federal and state funds for specific purposes that are subject to review or audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

**NOTE 15 – COVID-19**

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.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

|  | Budget                |                       | Actual                | Variance                   |
|--|-----------------------|-----------------------|-----------------------|----------------------------|
|  | Original              | Final                 |                       | Favorable<br>(Unfavorable) |
| Revenues:                                    |                       |                       |                       |                            |
| Local control funding formula:               |                       |                       |                       |                            |
| State apportionment                          | \$ 466,425,658        | \$ 468,025,233        | \$ 461,590,258        | \$ (6,434,975)             |
| Local sources                                | <u>125,689,435</u>    | <u>125,691,887</u>    | <u>130,811,984</u>    | <u>5,120,097</u>           |
| Total Local control funding formula:         | <u>592,115,093</u>    | <u>593,717,120</u>    | <u>592,402,242</u>    | <u>(1,314,878)</u>         |
| Federal sources                              | 42,050,208            | 44,911,575            | 35,107,001            | (9,804,574)                |
| Other state sources                          | 90,960,144            | 99,827,470            | 108,246,699           | 8,419,229                  |
| Other local sources                          | <u>4,274,106</u>      | <u>10,532,192</u>     | <u>7,975,230</u>      | <u>(2,556,962)</u>         |
| Total revenues                               | <u>729,399,551</u>    | <u>748,988,357</u>    | <u>743,731,172</u>    | <u>(5,257,185)</u>         |
| Expenditures:                                |                       |                       |                       |                            |
| Current:                                     |                       |                       |                       |                            |
| Certificated salaries                        | 314,852,575           | 322,897,205           | 321,722,814           | 1,174,391                  |
| Classified salaries                          | 105,203,905           | 104,937,701           | 99,465,572            | 5,472,129                  |
| Employee benefits                            | 213,017,437           | 204,442,825           | 211,951,965           | (7,509,140)                |
| Books and supplies                           | 32,244,724            | 36,642,788            | 24,027,909            | 12,614,879                 |
| Contract services and operating expenditures | 53,777,033            | 60,086,252            | 69,740,559            | (9,654,307)                |
| Other outgo                                  | 2,243,985             | 1,594,489             | 4,047,224             | (2,452,735)                |
| Capital outlay                               | 1,758,246             | 15,935,412            | 6,364,117             | 9,571,295                  |
| Debt service:                                |                       |                       |                       |                            |
| Principal retirement                         | 405,899               | 405,823               | 430,538               | (24,715)                   |
| Interest                                     | <u>93,288</u>         | <u>94,177</u>         | <u>68,573</u>         | <u>25,604</u>              |
| Total expenditures                           | <u>723,597,092</u>    | <u>747,036,672</u>    | <u>737,819,271</u>    | <u>9,217,401</u>           |
| Excess of revenues over expenditures         | <u>5,802,459</u>      | <u>1,951,685</u>      | <u>5,911,901</u>      | <u>3,960,216</u>           |
| Other financing sources (uses):              |                       |                       |                       |                            |
| Transfers in                                 | -                     | -                     | 5,726,171             | 5,726,171                  |
| Transfers out                                | <u>(229,770)</u>      | <u>(624,032)</u>      | <u>(289,152)</u>      | <u>334,880</u>             |
| Total other financing sources (uses)         | <u>(229,770)</u>      | <u>(624,032)</u>      | <u>5,437,019</u>      | <u>6,061,051</u>           |
| Net change in fund balance                   | 5,572,689             | 1,327,653             | 11,348,920            | 10,021,267                 |
| Fund balance, July 1, 2019                   | <u>122,729,421</u>    | <u>122,729,421</u>    | <u>122,729,421</u>    | -                          |
| Fund balance, June 30, 2020                  | <u>\$ 128,302,110</u> | <u>\$ 124,057,074</u> | <u>\$ 134,078,341</u> | <u>\$ 10,021,267</u>       |

See accompanying note to required supplementary information.

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

|  | Last 10 Fiscal Years |                      |                      |
|--|----------------------|----------------------|----------------------|
|  | <u>2018</u>          | <u>2019</u>          | <u>2020</u>          |
| Total OPEB liability   |                      |                      |                      |
| Service cost   | \$ -                 | \$ -                 | \$ -                 |
| Interest   | 489,361              | 503,010              | 465,082              |
| Change in assumptions  | -                    | (314,780)            | 236,642              |
| Experience (Gains)/Losses  | -                    | -                    | (647,017)            |
| Benefit payments   | <u>(1,151,839)</u>   | <u>(1,197,913)</u>   | <u>(1,110,165)</u>   |
| Net change in total OPEB liability                               | (662,478)            | (1,009,683)          | (1,055,458)          |
| Total OPEB liability - beginning of year                         | <u>14,500,532</u>    | <u>13,836,054</u>    | <u>12,826,371</u>    |
| Total OPEB liability - end of year                               | <u>\$ 13,838,054</u> | <u>\$ 12,826,371</u> | <u>\$ 11,770,913</u> |
| Covered employee payroll   | N/A*                 | N/A*                 | N/A*                 |
| Total OPEB liability as a percentage of covered-employee payroll | N/A*                 | N/A*                 | N/A*                 |

\* The District's plan is closed and only retirees are receiving benefits, therefore no covered payroll.

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 yearend that occurred one year prior. All years prior to 2018 are not available.

See accompanying note to required supplementary information.

ELK GROVE 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<br>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 liability   | 0.575%  | 0.575%                | 0.571%                | 0.561%                | 0.565%                | 0.592%                |
| District's proportionate share of the net pension liability  | \$ 335,739,000  | \$ 387,022,000        | \$ 462,169,000        | \$ 518,709,000        | \$ 519,668,000        | \$ 534,293,000        |
| State's proportionate share of the net pension liability associated with the District              | <u>202,735,000</u>                                      | <u>204,691,000</u>    | <u>263,129,000</u>    | <u>306,866,000</u>    | <u>297,535,000</u>    | <u>291,494,000</u>    |
| Total net pension liability  | <u>\$ 538,474,000</u>                                   | <u>\$ 591,713,000</u> | <u>\$ 725,298,000</u> | <u>\$ 825,575,000</u> | <u>\$ 817,203,000</u> | <u>\$ 825,787,000</u> |
| District's covered payroll   | \$ 255,898,000  | \$ 266,821,000        | \$ 284,779,000        | \$ 296,958,000        | \$ 302,077,000        | \$ 313,827,000        |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 131.20%   | 145.05%               | 162.29%               | 174.67%               | 172.03%               | 170.25%               |
| 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)

ELK GROVE 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<br>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 liability   | 0.694%  | 0.712%         | 0.710%         | 0.724%         | 0.730%         | 0.738%         |
| District's proportionate share of the net pension liability  | \$ 78,836,000   | \$ 104,902,000 | \$ 140,149,000 | \$ 172,893,000 | \$ 194,740,000 | \$ 215,066,000 |
| District's covered payroll   | \$ 72,899,000   | \$ 78,790,000  | \$ 85,132,000  | \$ 92,198,000  | \$ 97,719,000  | \$ 103,122,000 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 108.14%   | 133.14%        | 164.63%        | 187.52%        | 199.29%        | 208.55%        |
| 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.

ELK GROVE 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                                  | \$ 23,693,748       | \$ 30,556,787       | \$ 37,357,344       | \$ 43,589,645       | \$ 51,091,114       | \$ 53,376,320       |
| Contributions in relation to the contractually required contribution | <u>(23,693,748)</u> | <u>(30,556,787)</u> | <u>(37,357,344)</u> | <u>(43,589,645)</u> | <u>(51,091,114)</u> | <u>(53,376,320)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         |
| District's covered payroll   | \$ 266,821,000      | \$ 284,779,000      | \$ 296,958,000      | \$ 302,077,000      | \$ 313,827,000      | \$ 312,142,000      |
| Contributions as a percentage of covered payroll                     | 8.88%               | 10.73%              | 12.58%              | 14.43%              | 16.28%              | 17.10%*             |

All years prior to 2015 are not available.

\* 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.

(Continued)

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

|  | Public Employer's Retirement Fund B<br>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                                  | \$ 9,274,354  | \$ 10,085,627       | \$ 12,804,434       | \$ 15,176,778       | \$ 18,625,808       | \$ 21,061,415       |
| Contributions in relation to the contractually required contribution | <u>(9,274,354)</u>  | <u>(10,085,627)</u> | <u>(12,804,434)</u> | <u>(15,176,778)</u> | <u>(18,625,808)</u> | <u>(21,061,415)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>   | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         |
| District's covered payroll   | \$ 78,790,000   | \$ 85,132,000       | \$ 92,198,000       | \$ 97,719,000       | \$ 103,122,000      | \$ 106,797,000      |
| 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.



ELK GROVE UNIFIED SCHOOL DISTRICT  
 NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
 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 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, governments should 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 change in assumptions for the total OPEB liability included a change in the discount rate, from 3.87% in the June 30, 2018 actuarial report to 3.50% from the June 30, 2019 actuarial report.

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.

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

| <u>Assumption</u>         | <u>As of<br/>June 30,<br/>2019</u> | <u>As of<br/>June 30,<br/>2018</u> | <u>As of<br/>June 30,<br/>2017</u> | <u>As of<br/>June 30,<br/>2016</u> | <u>As of<br/>June 30,<br/>2015</u> |
|---------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| 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**

ELK GROVE UNIFIED SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 ALL NON-MAJOR FUNDS  
 June 30, 2020

|  | Charter<br>Schools<br>Fund | Adult<br>Education<br>Fund | Child<br>Development<br>Fund | Cafeteria<br>Fund   | Deferred<br>Maintenance<br>Fund | State<br>School<br>Facilities<br>Fund | Special<br>Reserve for<br>Capital Outlay<br>Fund | Capital<br>Projects<br>Fund | Bond<br>Interest<br>Redemption<br>Fund | Mello-Roos<br>Administrative<br>Fund | Total                |
|--|----------------------------|----------------------------|------------------------------|---------------------|---------------------------------|---------------------------------------|--|-----------------------------|--|--------------------------------------|----------------------|
| <b>ASSETS</b>                              |                            |                            |                              |                     |                                 |                                       |  |                             |  |                                      |                      |
| Cash in County Treasury                    | \$ 4,640,932               | \$ 1,541,511               | \$ 93,910                    | \$ 1,291,072        | \$ 279,489                      | \$ 25,271,570                         | \$ 2,084,208                                     | \$ 7,014,286                | \$ 1,306,869                           | \$ 1,901,188                         | \$ 45,425,035        |
| Cash with Fiscal Agent                     | -                          | -                          | -                            | -                   | -                               | -                                     | -  | 497,468                     | 2,085                                  | 13,772,546                           | 14,272,099           |
| Cash on hand and in banks                  | -                          | 17,111                     | -                            | 16,233              | -                               | -                                     | -  | -                           | -                                      | -                                    | 33,344               |
| Cash in revolving fund                     | -                          | -                          | -                            | 11,242              | -                               | -                                     | -  | -                           | -                                      | -                                    | 11,242               |
| Cash awaiting deposit                      | -                          | 105,329                    | 259,278                      | 5,434               | -                               | -                                     | -  | -                           | -                                      | -                                    | 370,041              |
| Receivables                                | 528,007                    | 1,017,615                  | 667,106                      | 3,525,089           | 2,355                           | 250,612                               | 24,978   | 79,307                      | 11,949                                 | -                                    | 6,107,018            |
| Prepaid expenditures                       | -                          | -                          | -                            | -                   | -                               | -                                     | -  | 1,750                       | -                                      | -                                    | 1,750                |
| Due from other funds                       | -                          | 398,828                    | 193,323                      | 1,497,155           | -                               | -                                     | 9,694  | 27,625                      | -                                      | 212,803                              | 2,339,428            |
| Stores inventory                           | -                          | -                          | -                            | 691,527             | -                               | -                                     | -  | -                           | -                                      | -                                    | 691,527              |
| <b>Total assets</b>                        | <b>\$ 5,168,939</b>        | <b>\$ 3,080,394</b>        | <b>\$ 1,213,617</b>          | <b>\$ 7,037,752</b> | <b>\$ 281,844</b>               | <b>\$ 25,522,182</b>                  | <b>\$ 2,118,880</b>                              | <b>\$ 7,620,436</b>         | <b>\$ 1,320,903</b>                    | <b>\$ 15,886,537</b>                 | <b>\$ 69,251,484</b> |
| <b>LIABILITIES AND FUND BALANCES</b>       |                            |                            |                              |                     |                                 |                                       |  |                             |  |                                      |                      |
| Liabilities:                               |                            |                            |                              |                     |                                 |                                       |  |                             |  |                                      |                      |
| Accounts payable                           | \$ 148,621                 | \$ 69,686                  | \$ 166,320                   | \$ 392,777          | \$ -                            | \$ 2,360,077                          | \$ -   | \$ 48,783                   | \$ -                                   | \$ -                                 | \$ 3,186,264         |
| Unearned revenue                           | 1,021                      | 39,761                     | 164,239                      | 526,588             | -                               | -                                     | -  | -                           | -                                      | -                                    | 731,609              |
| Due to other funds                         | 113,366                    | 103,887                    | 450,970                      | 2,079,158           | -                               | 817                                   | 7,265  | 220,227                     | -                                      | -                                    | 2,975,690            |
| <b>Total liabilities</b>                   | <b>263,008</b>             | <b>213,334</b>             | <b>781,529</b>               | <b>2,998,523</b>    | <b>-</b>                        | <b>2,360,894</b>                      | <b>7,265</b>                                     | <b>269,010</b>              | <b>-</b>                               | <b>-</b>                             | <b>6,893,563</b>     |
| Fund balances:                             |                            |                            |                              |                     |                                 |                                       |  |                             |  |                                      |                      |
| Nonspendable                               | -                          | -                          | -                            | 702,769             | -                               | -                                     | -  | 1,750                       | -                                      | -                                    | 704,519              |
| Restricted                                 | 4,905,931                  | 2,867,060                  | 432,088                      | 3,336,460           | 281,844                         | 23,161,288                            | 2,111,615  | 7,349,676                   | 1,320,903                              | 15,886,537                           | 61,653,402           |
| <b>Total fund balance</b>                  | <b>4,905,931</b>           | <b>2,867,060</b>           | <b>432,088</b>               | <b>4,039,229</b>    | <b>281,844</b>                  | <b>23,161,288</b>                     | <b>2,111,615</b>                                 | <b>7,351,426</b>            | <b>1,320,903</b>                       | <b>15,886,537</b>                    | <b>62,357,921</b>    |
| <b>Total liabilities and fund balances</b> | <b>\$ 5,168,939</b>        | <b>\$ 3,080,394</b>        | <b>\$ 1,213,617</b>          | <b>\$ 7,037,752</b> | <b>\$ 281,844</b>               | <b>\$ 25,522,182</b>                  | <b>\$ 2,118,880</b>                              | <b>\$ 7,620,436</b>         | <b>\$ 1,320,903</b>                    | <b>\$ 15,886,537</b>                 | <b>\$ 69,251,484</b> |

ELK GROVE UNIFIED SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 ALL NON-MAJOR FUNDS  
 June 30, 2020

|   | Charter<br>Fund  | Adult<br>Fund    | Child<br>Fund    | Fund              | Deferred<br>Fund | State<br>School<br>Fund | Special<br>Reserve for<br>Fund | Capital<br>Fund  | Bond<br>Interest<br>Fund | Mello-Roos<br>Fund | Total              |
|---|------------------|------------------|------------------|-------------------|------------------|-------------------------|--------------------------------|------------------|--------------------------|--------------------|--------------------|
| <b>Revenues:</b>  |                  |                  |                  |                   |                  |                         |                                |                  |                          |                    |                    |
| Local control funding formula                             | \$ 2,896,529     | \$ 397,368       | \$ -             | \$ -              | \$ -             | \$ -                    | \$ -                           | \$ -             | \$ -                     | \$ -               | \$ 3,293,897       |
| Federal sources   | -                | 1,426,519        | 3,569,579        | 17,681,719        | -                | -                       | -                              | -                | -                        | -                  | 22,677,817         |
| Other state sources                                       | 221,311          | 3,022,562        | 2,454,702        | 1,271,693         | -                | 10,523,700              | -                              | -                | 15,328                   | -                  | 17,509,296         |
| Other local sources                                       | 133,290          | 817,024          | 406,795          | 3,050,613         | 5,625            | 762,353                 | 173,529                        | 298,799          | 5,636,816                | 11,957,058         | 23,241,902         |
| <b>Total revenues</b>                                     | <b>3,251,130</b> | <b>5,663,473</b> | <b>6,431,076</b> | <b>22,004,025</b> | <b>5,625</b>     | <b>11,286,053</b>       | <b>173,529</b>                 | <b>298,799</b>   | <b>5,652,144</b>         | <b>11,957,058</b>  | <b>66,722,912</b>  |
| <b>Expenditures:</b>                                      |                  |                  |                  |                   |                  |                         |                                |                  |                          |                    |                    |
| <b>Current:</b>   |                  |                  |                  |                   |                  |                         |                                |                  |                          |                    |                    |
| Certificated salaries                                     | 1,336,884        | 1,714,177        | 2,111,785        | -                 | -                | -                       | -                              | -                | -                        | -                  | 5,162,846          |
| Classified salaries                                       | 178,879          | 1,216,391        | 1,268,559        | 8,548,608         | -                | -                       | -                              | 1,294,859        | -                        | -                  | 12,507,296         |
| Employee benefits   | 643,512          | 1,374,672        | 1,712,047        | 4,326,940         | -                | -                       | -                              | 548,723          | -                        | -                  | 8,605,894          |
| Books and supplies  | 153,615          | 357,802          | 165,125          | 9,139,772         | -                | -                       | -                              | 17,411           | -                        | -                  | 9,833,725          |
| Contract services and operating expenditures              | 69,739           | 596,852          | 1,082,257        | 971,411           | -                | -                       | 154,940                        | 171,171          | -                        | -                  | 3,046,370          |
| Other outgo   | -                | 90,630           | -                | -                 | -                | -                       | -                              | -                | -                        | -                  | 90,630             |
| Capital outlay  | -                | -                | -                | 126,387           | 1,022            | 24,986,151              | 5,509,354                      | 1,715,466        | -                        | -                  | 32,338,380         |
| <b>Debt service:</b>                                      |                  |                  |                  |                   |                  |                         |                                |                  |                          |                    |                    |
| Principal retirement                                      | -                | -                | -                | -                 | -                | -                       | -                              | -                | 10,450,000               | 6,452,000          | 16,902,000         |
| Interest  | -                | -                | -                | -                 | -                | -                       | -                              | -                | 6,930,097                | 7,505,104          | 14,435,201         |
| <b>Total expenditures</b>                                 | <b>2,382,629</b> | <b>5,350,524</b> | <b>6,339,773</b> | <b>23,113,118</b> | <b>1,022</b>     | <b>24,986,151</b>       | <b>5,664,294</b>               | <b>3,747,630</b> | <b>17,380,097</b>        | <b>13,957,104</b>  | <b>102,922,342</b> |
| Deficiency (excess) of revenues over (under) expenditures | 868,501          | 312,949          | 91,303           | (1,109,093)       | 4,603            | (13,700,098)            | (5,490,765)                    | (3,448,831)      | (11,727,953)             | (2,000,046)        | (36,199,430)       |
| <b>Other financing sources (uses):</b>                    |                  |                  |                  |                   |                  |                         |                                |                  |                          |                    |                    |
| Transfers in  | -                | -                | 197,985          | 91,167            | -                | 13,284,892              | -                              | 5,762,248        | -                        | 1,065,071          | 20,401,363         |
| Transfers out   | (113,171)        | (183,607)        | (267,993)        | (777,524)         | -                | (9,095,822)             | -                              | (2,757,963)      | -                        | (4,562,248)        | (17,758,328)       |
| <b>Total other financing sources (uses)</b>               | <b>(113,171)</b> | <b>(183,607)</b> | <b>(70,008)</b>  | <b>(686,357)</b>  | <b>-</b>         | <b>4,189,070</b>        | <b>-</b>                       | <b>3,004,285</b> | <b>-</b>                 | <b>(3,497,177)</b> | <b>2,643,035</b>   |
| Net change in fund balances                               | 755,330          | 129,342          | 21,295           | (1,795,450)       | 4,603            | (9,511,028)             | (5,490,765)                    | (444,546)        | (11,727,953)             | (5,497,223)        | (33,556,395)       |
| Fund balance, July 1, 2019                                | 4,150,601        | 2,737,718        | 410,793          | 5,834,679         | 277,241          | 32,672,316              | 7,602,380                      | 7,795,972        | 13,048,856               | 21,383,760         | 95,914,316         |
| Fund balance, June 30, 2020                               | \$ 4,905,931     | \$ 2,867,060     | \$ 432,088       | \$ 4,039,229      | \$ 281,844       | \$ 23,161,288           | \$ 2,111,615                   | \$ 7,351,426     | \$ 1,320,903             | \$ 15,886,537      | \$ 62,357,921      |

ELK GROVE UNIFIED SCHOOL DISTRICT  
ORGANIZATION  
June 30, 2020

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Elk Grove Unified School District was established in 1959 through the unification of smaller school districts. The District is a political subdivision of the State of California. The District covers 320 square miles within the City of Elk Grove, the City of Sacramento, the City of Rancho Cordova and unincorporated areas of Sacramento County. The District operates 40 elementary schools (grades K-6), nine middle schools (grades 7-8), nine comprehensive high schools (grades 9-12), three continuation high schools, one special education school, one adult school, one independent studies program, one charter school and one virtual school.

The Board of Education of Elk Grove Unified School District governs all activities related to public education within the jurisdiction of the District. The Board receives funding from local, State and federal government sources and must comply with the concomitant requirements of these funding source entities. Elk Grove Unified School District is governed by an elected seven member Board of Education. The board members represent seven geographic areas and are elected at large for four year terms and elections are held every two years. The Board has the decision making authority and is accountable for all fiscal matters relating to the District.

GOVERNING BOARD

| <u>Name</u>                | <u>Office</u> | <u>Term Expires</u> |
|----------------------------|---------------|---------------------|
| Beth Albiani               | President     | November 2022       |
| Dr. Crystal Martinez-Alire | Clerk         | November 2022       |
| Carmine S. Forcina         | Member        | November 2020       |
| Bobbie Singh-Allen         | Member        | November 2022       |
| Chet Madison, Sr.          | Member        | November 2020       |
| Nancy Chaires Espinoza     | Member        | November 2020       |
| Anthony "Tony" Perez       | Member        | November 2020       |

The Superintendent of the District is appointed by the Board and reports to the Board. The Superintendent is responsible for managing the District's day-to-day operations and supervising the work of other key District administrators. Key members of the District's staff are as follows:

ADMINISTRATION

Christopher R. Hoffman  
Superintendent

Mark Cerutti  
Deputy Superintendent, Education Services and Schools

Bindy Grewal, Ed. D.  
Assistant Superintendent, Elementary (Pre K-6) Education

David E. Reilly  
Associate Superintendent, Human Resources

Robert Pierce  
Deputy Superintendent, Business Services and Facilities

Shannon Hayes  
Chief Financial Officer

Craig Murray  
Assistant Superintendent, Secondary Education

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

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|   | Second<br>Period<br><u>Report</u> | Audited<br>Second<br>Period<br><u>Report</u> | Annual<br><u>Report</u> |
|---|-----------------------------------|--|-------------------------|
| <b>DISTRICT</b>                         |                                   |  |                         |
| Certificate Number                      | AD7382BE                          | P761D74D                                     | 8CAC0B09                |
| Elementary:                             |                                   |  |                         |
| Transitional Kindergarten through Third | 17,647                            | 17,648                                       | 17,648                  |
| Fourth through Sixth                    | 13,659                            | 13,659                                       | 13,659                  |
| Seventh and Eighth                      | <u>9,969</u>                      | <u>9,969</u>                                 | <u>9,969</u>            |
| Subtotal Elementary                     | <u>41,275</u>                     | <u>41,276</u>                                | <u>41,276</u>           |
| Secondary:                              |                                   |  |                         |
| Ninth through Twelfth                   | <u>19,491</u>                     | <u>19,493</u>                                | <u>19,493</u>           |
| Total District                          | <u><u>60,766</u></u>              | <u><u>60,769</u></u>                         | <u><u>60,769</u></u>    |
| <b>CHARTER SCHOOL</b>                   |                                   |  |                         |
| Certificate Number                      | CD466292                          | 8E9BCC54                                     | E924F931                |
| Charter School - Non Classroom-Based:   |                                   |  |                         |
| Secondary Education                     | <u>268</u>                        | <u>268</u>                                   | <u>268</u>              |

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See accompanying notes to supplementary information.

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

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| <u>GRADE LEVEL</u>     | <u>Statutory<br/>Minutes<br/>Requirement</u> | <u>2019-2020<br/>Actual<br/>Minutes</u> | <u>Number<br/>of Days<br/>Traditional<br/>Calendar</u> | <u>Number<br/>of Days<br/>Multitrack<br/>Calendar</u> | <u>Status</u> |
|------------------------|--|---|--|---|---------------|
| <b><u>DISTRICT</u></b> |  |   |  |   |               |
| Kindergarten           | 36,000                                       | 36,000                                  | 180  | 171   | In Compliance |
| Grade 1                | 50,400                                       | 52,825                                  | 180  | 171   | In Compliance |
| Grade 2                | 50,400                                       | 52,825                                  | 180  | 171   | In Compliance |
| Grade 3                | 50,400                                       | 52,825                                  | 180  | 171   | In Compliance |
| Grade 4                | 54,000                                       | 54,370                                  | 180  | 171   | In Compliance |
| Grade 5                | 54,000                                       | 54,370                                  | 180  | 171   | In Compliance |
| Grade 6                | 54,000                                       | 54,370                                  | 180  | 171   | In Compliance |
| Grade 7                | 54,000                                       | 60,494                                  | 180  | 171   | In Compliance |
| Grade 8                | 54,000                                       | 60,494                                  | 180  | 171   | In Compliance |
| Grade 9                | 64,800                                       | 65,088                                  | 180  | N/A   | In Compliance |
| Grade 10               | 64,800                                       | 65,088                                  | 180  | N/A   | In Compliance |
| Grade 11               | 64,800                                       | 65,088                                  | 180  | N/A   | In Compliance |
| Grade 12               | 64,800                                       | 65,088                                  | 180  | N/A   | In Compliance |

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See accompanying notes to supplementary information.

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

| <u>Federal<br/>Catalog<br/>Number</u>   | <u>Federal Grantor/Pass-Through<br/>Grantor/Program or Cluster Title</u>          | <u>Pass-Through<br/>Entity<br/>Identifying<br/>Number</u> | <u>Federal<br/>Expenditures</u> |
|---|---|---|---------------------------------|
| <u>U.S. Department of Education - Passed through California Department<br/>of Education</u> |   |   |                                 |
|   | Special Education IDEA Cluster:   |   |                                 |
| 84.027A   | Special Education: IDEA Mental Health Services,<br>Part B, Section 611            | 15197   | \$ 703,867                      |
| 84.027  | Special Education: Basic Local Assistance<br>Entitlement, Part B, Section 611     | 13379   | 9,503,703                       |
| 84.027  | Special Education: IDEA Local Assistance, Part B,<br>Sec 611, Private School ISPs | 10115   | 48,830                          |
| 84.173A   | Special Education: Preschool Staff Development                                    | 13431   | 2,227                           |
| 84.173  | Special Education: IDEA Preschool Grants  | 13430   | <u>210,572</u>                  |
|   | Subtotal Special Education IDEA Cluster   |   | <u>10,469,199</u>               |
|   | Adult Education Programs:   |   |                                 |
| 84.002A   | Adult Education: Adult Basic Education & ESL                                      | 14508   | 307,990                         |
| 84.002A   | Adult Education: English Literacy & Civics Education                              | 14109   | 89,178                          |
| 84.002A   | Adult Education: Institutionalized Adults   | 13971   | 166,211                         |
| 84.002A   | Adult Education: Adult Secondary Education  | 13978   | <u>119,890</u>                  |
|   | Subtotal Adult Education Programs   |   | <u>683,269</u>                  |
| 84.048  | Vocational Programs: Voc & Appl Tech Secondary IIC                                | 14894   | 406,306                         |
| 84.048A   | Vocational Programs: Post Secondary & Adult IIC                                   | 14893   | <u>61,979</u>                   |
|   | Subtotal Vocation Programs  |   | <u>468,285</u>                  |
|   | ESEA: Title II: Part A Programs:  |   |                                 |
| 84.367  | ESEA: Title II, Part A, Teacher Quality Local Grants                              | 14341   | <u>1,938,612</u>                |
|   | Subtotal ESEA: Part A Title II Programs   |   | <u>1,938,612</u>                |
|   | ESEA: Title III Programs:   |   |                                 |
| 84.365  | ESEA: Title III, Immigrant Education  | 15146   | 175,191                         |
| 84.365  | ESEA: Title III, English Learner Student Program                                  | 14346   | <u>1,219,062</u>                |
|   | Subtotal ESEA: Title III Programs   |   | <u>1,394,253</u>                |

(Continued)



ELK GROVE 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 Expenditures</u> |
|---|--|---|-----------------------------|
|   | ESEA: Title I, Part A Programs   |   |                             |
| 84.010  | ESEA: Title I: Basic Grants Low-Income and Ngelected                                     | 14329   | \$ 14,876,501               |
| 84.010  | ESSA School Improvement Funding for LEA's  | 15438   | <u>34,223</u>               |
|   | Subtotal ESEA: Title I, Part A Programs  |   | <u>14,910,724</u>           |
|   | ESEA: Title IV Programs  |   |                             |
| 84.424  | ESEA: Title IV Student Support and Enrichment  | 15396   | 840,206                     |
| 84.424A   | SCOE Art Ed. Community   | 15396   | <u>19,342</u>               |
|   | Subtotal ESEA: Title IV Programs   |   | <u>859,548</u>              |
| 84.181  | Special Education: IDEA Early Intervention Grants  | 23761   | 53,605                      |
| 84.287C   | ESEA: Title IV, Part B, 21st Century Community Learning Centers Program                  | 14681   | 2,232,144                   |
| 84.126  | Department of Rehabilitation: Workability II, Transitions Partnership Program            | 10006   | 264,544                     |
| 84.060  | Indian Education   | 10011   | 51,121                      |
| 84.305A   | EDC - Career Academies Grant   | *   | 31,924                      |
| 84.196A   | ESSA: Education for Homeless Children and Youth, Subtitle VII-B Youth McKinney Vento Act | 14332   | <u>71,872</u>               |
|   |  |   | <u>2,705,210</u>            |
|   | Total U.S. Department of Education   |   | <u>33,429,100</u>           |
| <u>U.S. Department of Labor - Passed through California Department of Education</u>                     |  |   |                             |
|   | WIOA Cluster:  |   |                             |
| 17.258  | SETA: Refugee Support Services   | *   | 61,107                      |
| 17.259  | SETA: One Stop, Out of School Services   | *   | <u>253,280</u>              |
|   | Subtotal WIOA Cluster  |   | <u>314,387</u>              |
| 17.260  | SETA: Training Center  | *   | <u>277,589</u>              |
|   | Total U.S. Department of Labor   |   | <u>591,976</u>              |
| <u>U.S. Department of Health and Human Services - Passed through California Department of Education</u> |  |   |                             |
|   | Head Start Programs:   |   |                             |
| 93.600  | Head Start - Basic   | 10016   | 3,197,440                   |
| 93.600  | Head Start - PA 20   | 10016   | <u>23,685</u>               |
|   | Subtotal Head Start Programs   |   | <u>3,221,125</u>            |

(Continued)

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

| <u>Federal<br/>Catalog<br/>Number</u>   | <u>Federal Grantor/Pass-Through<br/>Grantor/Program or Cluster Title</u>                                | <u>Pass-Through<br/>Entity<br/>Identifying<br/>Number</u> | <u>Federal<br/>Expenditures</u> |
|---|---|---|---------------------------------|
| 93.596  | Child Development: Federal General Child Care and Dev<br>(CCTR); Rs 5026, Family Child Care Home (CFCC) | 13609   | \$ 348,454                      |
| 93.569  | SETA: CSBG Safety Net   | *   | 2,095                           |
| 93.778  | Dept of Health Services (DHCS): Medi-Cal<br>Billing Option - Medicaid Cluster                           | 10013   | 1,698,187                       |
| 93.243  | Project Aware   | *   | 33,460                          |
| 93.674  | Independent Living Program  | *   | <u>109,003</u>                  |
|   | Total U.S. Department of Health and Human Services  |   | <u>5,412,324</u>                |
| <br><u>U.S. Department of Agriculture - Passed through California Department<br/>of Education</u>       |   |   |                                 |
| 10.555  | Child Nutrition: School Programs (NSL Sec 4) - Child<br>Nutrition Cluster                               | 13391   | 16,203,348                      |
| 10.579  | NSLP Equipment Assistance Grant   | 14906   | 53,053                          |
| 10.558  | Child Nutrition: CACFP Claims Centers and Family Day<br>Day Care  | 13393   | 1,297,406                       |
| 10.582  | Child Nutrition: Fresh Fruit and Vegetable Program  | 14968   | <u>127,913</u>                  |
|   | Total U.S. Department of Agriculture  |   | <u>17,681,720</u>               |
| <br><u>U.S. Department of Justice - Passed through California Department<br/>of Education</u>           |   |   |                                 |
| 16.812  | Sacramento County: Correctional Vocational Education  | *   | <u>88,020</u>                   |
| <br><u>U.S. Department of Homeland Security - Passed through California Department<br/>of Education</u> |   |   |                                 |
| 97.U01  | Air Force ROTC  | -   | 114,139                         |
| 97.U02  | NJROTC  | -   | <u>12,287</u>                   |
|   | Total U.S. Department of Homeland Security  |   | <u>126,426</u>                  |
|   | Total Federal Programs  |   | <u>\$ 57,329,566</u>            |

\* The District is unable to locate a pass-through number for this program.

See accompanying notes to supplementary information.

ELK GROVE 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 audit adjustments proposed to any funds of the District.

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See accompanying notes to supplementary information.

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

| <u>General Fund</u>                              | (Budgeted)<br><u>2021</u> | <u>2020</u>      | <u>2019</u>      | <u>2018</u>      |
|--|---------------------------|------------------|------------------|------------------|
| Revenues and other financing sources             | \$ 730,876,381            | \$ 749,457,343   | \$ 754,524,103   | \$ 679,697,949   |
| Expenditures                                     | 725,073,922               | 737,819,271      | 746,275,466      | 677,599,954      |
| Other uses and transfers out                     | 229,770                   | 289,152          | 618,246          | 838,013          |
| Total outgo                                      | 725,303,692               | 738,108,423      | 746,893,712      | 678,437,967      |
| Change in fund balance                           | \$ 5,572,689              | \$ 11,348,920    | \$ 7,630,391     | \$ 1,259,982     |
| Ending fund balance                              | \$ 139,651,030            | \$ 134,078,341   | \$ 122,729,421   | \$ 115,099,030   |
| Available reserves                               | \$ 14,600,000             | \$ 15,001,000    | \$ 14,900,000    | \$ 14,000,000    |
| Designated for economic uncertainties            | \$ 14,600,000             | \$ 15,001,000    | \$ 14,900,000    | \$ 14,000,000    |
| Undesignated fund balance                        | \$ -                      | \$ -             | \$ -             | \$ -             |
| Available reserves as percentages of total outgo | 2.01%                     | 2.03%            | 2.00%            | 2.10%            |
| <u>All Funds</u>                                 |                           |                  |                  |                  |
| Total long-term liabilities                      | \$ 1,143,292,641          | \$ 1,172,565,089 | \$ 1,153,517,239 | \$ 1,011,814,878 |
| Average daily attendance at P-2                  | 60,766                    | 60,769           | 60,126           | 59,953           |

The General Fund fund balance has increased by \$20,239,293 over the past three years. The fiscal year 2020-2021 budget, as originally adopted, projects an increase of \$5,572,689. For a district this size (budgeted ADA in excess of 30,000), the state recommends available reserves of at least two percent of total General Fund expenditures, transfers out, and other uses (total outgo). The District has met this requirement.

The District has incurred operating surpluses over the past three years, and anticipates an operating surplus during the 2020-2021 fiscal year.

Total long-term liabilities have increased by \$160,750,211 over the past three years, as shown in Note 6 to the basic financial statements.

Average daily attendance has increased by 816 over the past three years. For the year ended June 30, 2021 the District anticipates a decrease of 3 ADA.

See accompanying notes to supplementary information.

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

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| <u>Charter Schools Chartered by District</u> | Included in District<br>Financial Statements, or<br><u>Separate Report</u> |
|--|--|
| 1976 - Maidu Virtual Charter Academy         | Included in District Financial Statements                                  |

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See accompanying notes to supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT  
SCHEDULE OF FIRST 5 REVENUES AND EXPENDITURES  
For the Year Ended June 30, 2020

|   | <u>First 5/<br/>School<br/>Readiness</u> | <u>All Other<br/>Programs</u> | <u>Total Child<br/>Development<br/>Fund</u> |
|---|--|-------------------------------|---|
| Revenues:                                       |  |                               |   |
| Federal revenue sources                         | \$ -                                     | \$ 3,569,579                  | \$ 3,569,579                                |
| State revenue sources                           | -  | 2,454,702                     | 2,454,702                                   |
| Local revenue sources                           | <u>405,647</u>                           | <u>1,148</u>                  | <u>406,795</u>                              |
| <br>Total revenues                              | <br><u>405,647</u>                       | <br><u>6,025,429</u>          | <br><u>6,431,076</u>                        |
| Expenditures:                                   |  |                               |   |
| Current:  |  |                               |   |
| Certificated salaries                           | 114,261                                  | 1,997,524                     | 2,111,785                                   |
| Classified salaries                             | 125,765                                  | 1,142,794                     | 1,268,559                                   |
| Employee benefits                               | 108,644                                  | 1,603,403                     | 1,712,047                                   |
| Books and supplies                              | 29,509                                   | 135,616                       | 165,125                                     |
| Contract services and operating<br>expenditures | <u>7,433</u>                             | <u>1,074,824</u>              | <u>1,082,257</u>                            |
| <br>Total Expenditures                          | <br><u>385,612</u>                       | <br><u>5,954,161</u>          | <br><u>6,339,773</u>                        |
| <br>Excess of revenues over expenditures        | <br><u>20,035</u>                        | <br><u>71,268</u>             | <br><u>91,303</u>                           |
| Other financing sources (uses):                 |  |                               |   |
| Transfers in                                    | -  | 197,985                       | 197,985                                     |
| Transfers out                                   | <u>(20,035)</u>                          | <u>(247,958)</u>              | <u>(267,993)</u>                            |
| <br>Total other financing sources (uses):       | <br>(20,035)                             | <br>(49,973)                  | <br>(70,008)                                |
| <br>Net charge in fund balances                 | <br>-                                    | <br>21,295                    | <br>21,295                                  |
| <br>Fund balances, July 1, 2019                 | <br><u>-</u>                             | <br><u>410,793</u>            | <br><u>410,793</u>                          |
| <br>Fund balances, June 30, 2020                | <br><u>\$ -</u>                          | <br><u>\$ 432,088</u>         | <br><u>\$ 432,088</u>                       |

See accompanying notes to supplementary information.

ELK GROVE 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. The District neither met nor exceeded its target funding. 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 46201 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 July 9, 2020.

C - Schedule of Expenditure of Federal Awards

The Schedule of Expenditure of Federal Awards includes the federal award activity of Elk Grove Unified School District, and is 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 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 minimus indirect cost rate allowed under Uniform Guidance.

The following schedule provides a reconciliation between revenues reported on the Statement of Activities 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>CFDA<br/>Number</u> | <u>Amount</u>        |
|---|------------------------|----------------------|
| Total Federal revenues, Statement of Revenues,<br>Expenditures and Changes in Fund Balances |                        | <u>\$ 57,784,818</u> |
| Dept of Health Services (DHCS): Medi-Cal<br>Billing Option                                  | 93.778                 | <u>(455,252)</u>     |
| Total Schedule of Expenditure of Federal Awards   |                        | <u>\$ 57,329,566</u> |

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.

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(Continued)

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

E - Schedule of Financial Trends and Analysis - Unaudited

This schedule provides trend 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. The information in this schedule has been derived from audited information.

F - Schedule of Charter Schools

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

G - Schedule of First 5 Revenues and Expenditures

This schedule provides information about the First 5 Sacramento County Program.

**NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM**

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the year ended June 30, 2020, the District did not adopt this program.



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

Board of Education  
Elk Grove Unified School District  
Elk Grove, California

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

We have audited Elk Grove 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* (the "Audit Guide") 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  | Yes                         |
| 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 Plan                                   | 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                                       | Yes                         |
| Charter Schools – Mode of Instruction                              | No, see below               |
| Charter Schools – Nonclassroom-Based Instruction/Independent Study | Yes                         |

(Continued)

| <u>Description</u>   | <u>Procedures<br/>Performed</u> |
|--|---------------------------------|
| Charter Schools – Determination of Funding for Nonclassroom-Based Instruction  | Yes                             |
| Charter Schools – Annual Instructional Minutes - Classroom-Based   | No, see below                   |
| Charter Schools – Charter School Facility Grant Program  | No, see below                   |
| The District does not offer an Early Retirement Incentive Program; therefore, we did not perform procedures related to the Early Retirement Incentive Program.   |                                 |
| The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.   |                                 |
| The District does not have Middle or Early College High Schools; therefore, we did not perform any procedures related to Middle or Early College High Schools.   |                                 |
| The District did not offer Apprenticeship: Related and Supplemental Instruction; therefore, we did not perform any procedures related to Apprenticeship: Related and Supplemental Instruction.                                   |                                 |
| The District did not elect to operate as a District of Choice; therefore, we did not perform any procedures related to District of Choice.   |                                 |
| The District did not offer a Before School Education and Safety Program; therefore, we did not perform any procedures relating to the Before School Education and Safety Program.  |                                 |
| The District does not offer an Independent Study-Course Based program; therefore, we did not perform any procedures related to the program.  |                                 |
| The District does not offer classroom-based instruction for charter schools; therefore, we did not perform any procedures related to Mode of Instruction and Annual Instructional Minutes - Classroom-Based for charter schools. |                                 |
| The District did not expend any Charter School Facilities Grant Program funds in the current year; therefore, we did not perform any procedures related to the program.  |                                 |

***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 Elk Grove 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 K12 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 Elk Grove Unified School District’s compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Elk Grove 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 Elk Grove Unified School District’s compliance.

(Continued)

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

In our opinion, Elk Grove 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 *State of California's 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  
December 9, 2020

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  
Elk Grove Unified School District  
Elk Grove, 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 Elk Grove Unified School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Elk Grove Unified School District's basic financial statements, and have issued our report thereon dated December 9, 2020.

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

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

We identified a deficiency involving internal control that we communicated to management as identified in the accompanying Schedule of Audit Findings and Questioned Costs as finding 2020-001.

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(Continued)

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Elk Grove 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*.

## Elk Grove Unified School District's Response to Findings

Elk Grove Unified School District's response to the finding identified in our audit is included in the accompanying Schedule of Audit Findings and Questioned Costs. Elk Grove Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

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

  
Crowe LLP

Sacramento, California  
December 9, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE FIRST 5  
SACRAMENTO COUNTY PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH A PROGRAM-SPECIFIC AUDIT

Board of Education  
Elk Grove Unified School District  
Elk Grove, California

**Report on Compliance for First 5 Sacramento County Program**

We have audited Elk Grove Unified School District's compliance with the types of compliance requirements described in the Program Guidelines for the First 5 Sacramento County Program that have a direct and material effect on its First 5 Sacramento County Program for the year ended June 30, 2020.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its First 5 Sacramento County Program.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for Elk Grove Unified School District's First 5 Sacramento County Program 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 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the First 5 Sacramento County Program occurred. An audit includes examining, on a test basis, evidence about Elk Grove 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. However, our audit does not provide a legal determination of Elk Grove Unified School District's compliance with those requirements.

***Opinion on First 5 Sacramento County Program***

In our opinion, Elk Grove Unified School District complied, in all material respects, with the compliance requirements referred to above that have a direct and material effect on its First 5 Sacramento County Program for the year ended June 30, 2020.

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(Continued)

## **Report on Internal Control Over Compliance**

Management of Elk Grove 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 Elk Grove Unified School District's internal control over compliance with requirements that could have a direct and material effect on its First 5 Sacramento County Program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the First 5 Sacramento County Program and to test and report on internal control over compliance in accordance with the First 5 Sacramento County Program Guidelines, 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 Elk Grove 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 the First 5 Sacramento County 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 the First 5 Sacramento County 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 the First 5 Sacramento County 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 First 5 Sacramento County Program Guidelines. Accordingly, this report is not suitable for any other purpose.

  
Crowe LLP

Sacramento, California  
December 9, 2020

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

Board of Education  
Elk Grove Unified School District  
Elk Grove, California

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

We have audited Elk Grove 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 Elk Grove Unified School District's major federal programs for the year ended June 30, 2020. Elk Grove 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 Elk Grove 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 Elk Grove 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 Elk Grove Unified School District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Elk Grove 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 Elk Grove 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 Elk Grove 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 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 Elk Grove 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

  
Crowe LLP

Sacramento, California  
December 9, 2020

## **FINDINGS AND RECOMMENDATIONS**

ELK GROVE 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:

|  |           |            |               |
|--|-----------|------------|---------------|
| 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> |
|-------------------------------------|---|
| 93.600                              | Head Start                                |
| 84.027, 84.173,<br>84.173A, 84.027A | Special Education: IDEA Cluster           |
| 84.367                              | ESEA: Title II, Part A, Teacher Quality   |

Dollar threshold used to distinguish between Type A and Type B programs: \$1,719,887

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)

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

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SECTION II - FINANCIAL STATEMENT FINDINGS

**2020-001 DEFICIENCY – VACATION ACCRUAL (30000)**

Criteria

Vacation accrual is governed by collective bargaining contracts as well as board policies 4162, 4262 and 4362. All contracts and board policies prohibit accumulation of vacation days in excess of the stated maximums.

Condition

As of June 30, 2020, there are approximately 917 employees who exceed the maximum days permitted by policy, by a total of approximately 26,497 excess days, representing an excess vacation accrual of \$5,362,958.

Effect

Increase liability to the district, to be paid in future years based on the over accrual.

Cause

The District is not enforcing policy and contract language regarding vacation accrual.

Fiscal impact

At June 30, 2020, the excess vacation accrual is \$5,362,958.

Recommendations

The District should enforce the requirements set in the collective bargaining contracts and District policy.

Views of Responsible Officials

The district is continuing to work on a way to enforce the accrual policy and limit hours that can be accrued by stopping the accrual when it reaches a maximum level. The issue will be discussed during the upcoming negotiations with employee groups.

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(Continued)

ELK GROVE 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)

ELK GROVE 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**

ELK GROVE UNIFIED SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
Year Ended June 30, 2020

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**2019-001**

**Condition:** As of June 30, 2019, there are approximately 728 employees who exceed the maximum days permitted by policy, by a total of approximately 20,462 excess days, representing an excess vacation accrual of \$4,153,776.

**Recommendation:** The District should enforce the requirements set in the collective bargaining contracts and District policy.

**Current Status:** Not Implemented, See Finding 2019-001

**District Explanation If Not Implemented:** The District continues to work with employees on reducing the number of days in excess of vacation policy limits, however, with the COVID-19 pandemic in the current fiscal year, it has been difficult for employees to take vacation time reduce the overall vacation accrual.

**2019-002**

**Condition:** For two students, the agreements did not contain required information and were not completed correctly.

**Recommendation:** The District should ensure a completed agreement is maintained for each kindergarten pupil continuing in kindergarten for more than one year.

**Current Status:** Implemented.

**2019-003**

**Criteria:** Education Code 51749.6 (b) (1) states that the learning agreement shall be signed by the pupil and, if the pupil is less than 18 years of age, the pupil's parent or legal guardian, and all certificated employees providing instruction before instruction may commence.

**Recommendation:** The District review all independent study agreements to ensure they are in compliance.

**Current Status:** Implemented.