ELK GROVE UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
June 30, 2021

ELK GROVE UNIFIED SCHOOL DISTRICT

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

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Crowe LLP
Independent Member Crowe Global

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, 2021, 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.

(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, 2021, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. This resulted in a restatement of the beginning governmental activities net position and the beginning aggregate remaining fund information fund balance totaling $5,188,843. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 15 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.

(Continued)

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 January 27, 2022 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.

Crowe LLP

Crowe LLP

Sacramento, California
January 27, 2022

ELK GROVE Unified School District

Members of the Board:
Beth Albiani
Nancy Chaires Espinoza
Carmine S. Forcina
Gina Jamerson
Dr. Crystal Martinez-Alire
Anthony "Tony" Perez
Sean J. Yang

Christopher R. Hoffman
Superintendent
(916) 686-7700

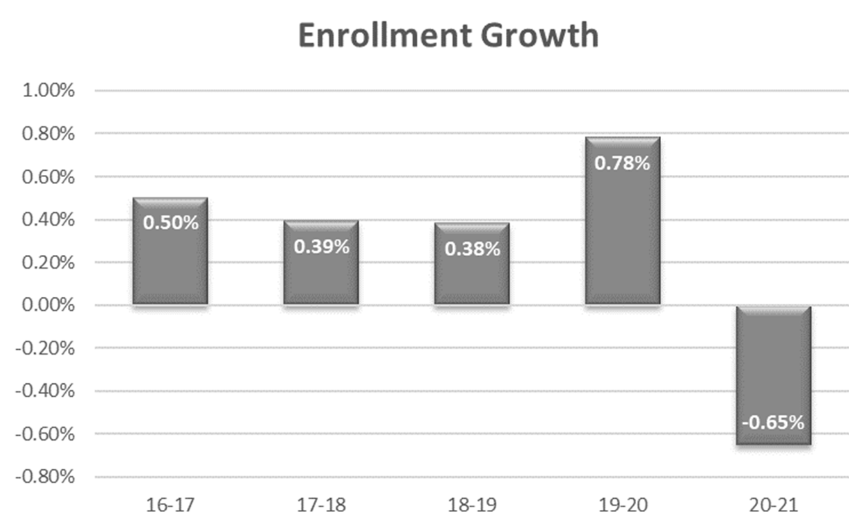
9510 Elk Grove-Florin Road, Elk Grove, CA 95624

Management's Discussion and Analysis

The following discussion and analysis are a reflection on the 2020/2021 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 2020/2021 school year the District employed on a regular basis 3,736 certificated employees, and 2,608 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. The District is actively constructing its 43rd elementary school, which is set to open for the 2022/2023 school year. 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.



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 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 2020/2021 year shows the District's net position as $124,080,891. 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, 2020	June 30, 2021
Assets other than capital	$ 380,807,279	$ 635,453,044
Capital assets net of accumulated depreciation	735,713,646	768,637,575
Total assets	1,116,520,925	1,404,090,619
Deferred loss on refunding of debt	5,365,914	5,087,959
Deferred outflows of resources – pensions and OPEB	194,914,737	173,708,874
Total deferred outflows of resources	200,280,651	178,796,833
Liabilities other than long term	40,426,432	88,168,366
Long term liabilities	1,172,565,089	1,320,101,195
Total liabilities	1,218,599,815	1,408,269,561
Deferred inflow of resources – pensions	42,607,000	50,537,000
Ending Net Position	$ 55,594,761	$124,080,891

Statement of Activities

Governmental Activities		
Revenues	June 30, 2020	June 30, 2021
Program Revenue:		
Charges for services	$22,785,700	$26,802,740
Operating grants & contributions	171,805,100	226,210,991
Capital grants & contributions	11,285,395	50,696,225
Taxes:		
Levied for general purpose	133,378,648	154,823,091
Levied for debt service	17,319,162	32,412,383
Levied for other specific purposes	64,424	928,328
Other Revenue:		
Federal and State aid	481,012,468	457,875,302
Interest and investment earnings	3,062,048	1,145,443
Interagency	12,896	-
Other	919,869	1,416,136
Total Revenue	**$841,645,710**	**$952,310,639**
Expenses		
Instruction	$563,193,769	$565,704,022
Instruction-related services	85,667,552	85,193,853
Pupil services	108,541,906	98,016,904
General administration	45,353,848	54,883,074
Plant services	65,861,328	62,346,492
Enterprise/Ancillary activities	879	2,538,687
Interest on long-term liabilities	16,992,780	16,072,507
Other outgo	2,126,984	4,257,813
Total Expenses	**$887,739,046**	**$889,013,352**
Change in Net Position	($46,093,336)	$63,297,287
Net Position – Beginning	101,688,097	55,594,761
Implementation of GASB 84		5,188,843
Net Position – Ending	**$55,594,761**	**$124,080,891**

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		
	June 30, 2020	**June 30, 2021**
Revenues	$ 748,115,047	$ 798,128,791
Expenditures	(736,766,127)	(758,529,000)
Difference	**$ 11,348,920**	**$ 39,599,791**

General Fund Change in Fund Balance			
	Restricted	**Unrestricted**	**Total**
June 30, 2020	43,505,766	90,572,575	134,078,341
June 30, 2021	51,784,761	121,893,371	173,678,132
Change	**$ 8,278,995**	**$ 31,320,796**	**$ 39,599,791**

During 2020/2021 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

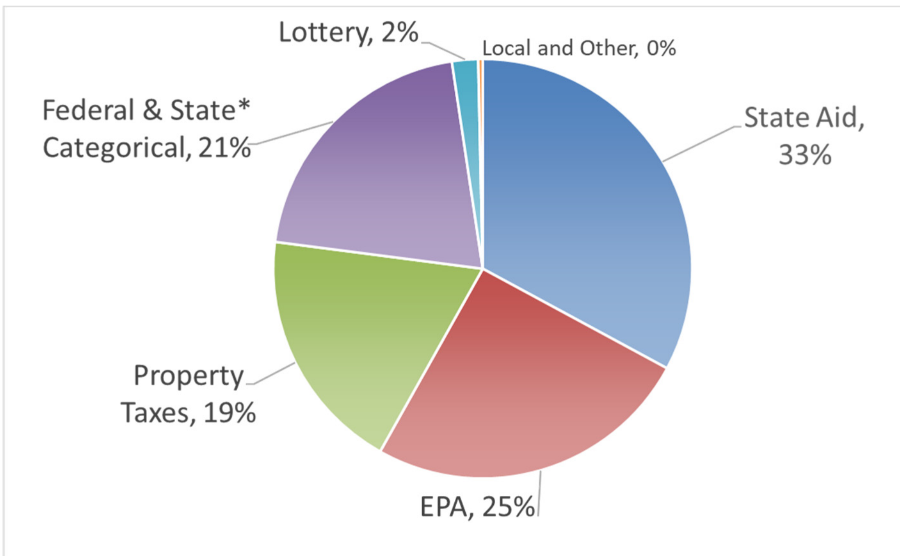
More than 77% of the District's General Fund revenue is generated from the District's Local Control Funding Formula (LCFF). The LCFF includes State Aid and property taxes and is based on a state-determined dollar amount times the average number of students who are in attendance throughout the school 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 2020/2021 school year, the District's total General Fund ending fund balance increased by $39,599,791.

General Fund Sources

Sources Available	
LCFF Sources	$250,794,012
Education Protection Account (EPA)	192,743,605
Property Taxes	144,177,350
Total LCFF Sources	**$587,714,968**
Federal Revenue	74,227,436
Lottery	15,373,319
Other State Revenue*	81,210,549
Local Revenue	4,223,748
Total Revenue	**$762,750,019**
Beginning Fund Balance	134,078,341
Total General Fund Sources	**$896,828,360**



*Other State Revenue - Excludes $32.3M STRS On Behalf Pension Contribution.

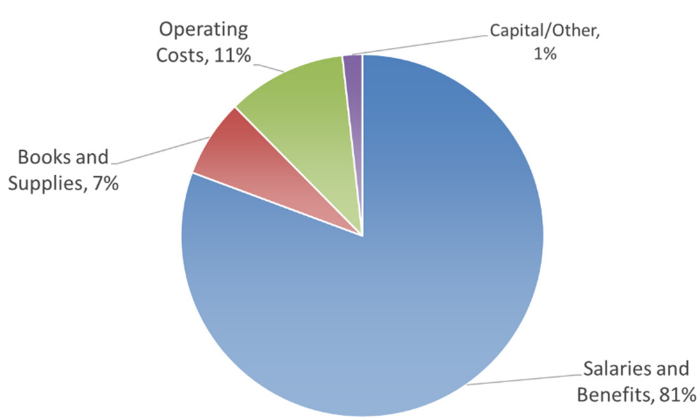
General Fund Expenditures

Employee salary and benefit costs consume 81% of the District's general fund expenditures. Expenditures that go directly to the classroom for instructional purposes amount to 63% 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.

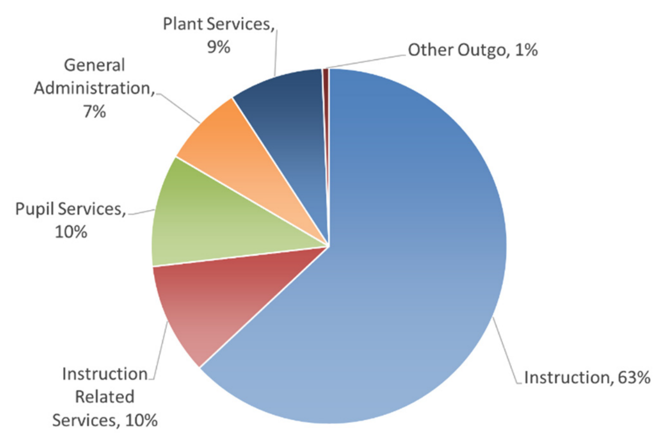
2020/21 General Fund Expenditures	
Salaries and Benefits*	$585,269,266
Books and Supplies	50,347,512
Operating Costs	77,086,186
Capital/Other	12,826,506
Total Expenditures	**$725,529,470**
Restricted/Nonspendable Ending Fund Balance	$53,190,450
Reserve for Economic Uncertainties	16,400,000
Undesignated Ending Fund Balance	104,087,682
Total Ending Fund Balance	**$173,678,132**

*Salaries & Benefits - Excludes $32.3M STRS On Behalf Pension Contribution.

General Fund Expenditure by Object*



General Fund Expenditure by Function*



*Salaries & Benefits - Excludes $32.3M 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:

Fund Name	June 30, 2020 Ending Balance (amount in dollars)	June 30, 2021 Ending Balance (amount in dollars)	Change in Fund Balance (amount in dollars)
Student Activity Fund	$0	$4,305,415	$4,305,415
Charter School Special Revenue	4,905,931	5,478,000	$572,069
Adult Education	2,867,060	3,295,213	$428,153
Child Development	432,088	545,564	$113,476
Cafeteria Special Revenue	4,039,229	6,791,965	$2,752,736
Deferred Maintenance	281,844	283,394	$1,550
Building Fund	76,359,667	163,174,254	$86,814,587
Capital Facilities	56,714,062	16,860,329	($39,853,733)
State School Facilities	23,161,288	94,001,856	$70,840,568
Special Reserve for Capital Outlay	2,111,615	2,199,804	$88,189
Capital Projects	7,351,426	33,624,802	$26,273,376
Bond Interest & Redemption Fund	1,320,903	18,091,243	$16,770,340
Debt Service	15,886,537	18,163,290	$2,276,753
Self-Insurance Fund	9,852,179	7,262,144	($2,590,035)

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. Series 3 (2021) bond were issued in April, 2021, in the amount of $140.5 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 72% of the District's capital assets. The work in progress on District buildings, i.e. modernizations as well as new construction, makes up approximately 7% 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 20201/2021 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 continued through 2020/2021. Although the state and federal governments continued to take swift action and provided additional funding to mitigate financial burdens for districts, the District still faces countless and substantial financial burdens. The restrictive and one-time nature of the relief funding has created its own set of challenges, including multiple new expenditure plans with constant monitoring and oversight. The indirect supports required to support the development of plans, deployment of services, hiring, monitoring and more has come at a time when the District is severely lacking adequate labor while focusing on safe in person instruction including ever evolving health guidance and mandates. Staffing shortages during COVID-19 have affected a multitude of departments and services that the District needs and desires to provide.

The District received three rounds of various COVID-19 relief funds all with their own unique requirements $44 million in Learning Loss Mitigation funds authorized by the Governor's Emergency Education Relief (GEER) funds, CARES Act Coronavirus Relief (CR) Fund and State General Fund which represents the first round of funding. $41 million in Expanded Learning Opportunity grant funds and $22 million in In-Person Instruction Grant funds authorized Assembly Bill 86, COVID-19 relief package and $60 million in Elementary and Secondary School Emergency

Relief (ESSER I) Funds authorized by the Coronavirus Aid, Relief, and Economic Security (CARES) Act which made up the second round of funding. The third round and final allocation of funding was authorized as $13 million in Elementary and Secondary School Emergency Relief Fund (ESSER II Fund) authorized by Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSA Act) and $134 million in Elementary and Secondary School Emergency Relief Fund (ESSER III Fund) authorized by the American Rescue Plan (ARP) Act. In total the District has received authorized funding of $315 million. These funds are one-time in nature to support the effects the pandemic has had on teaching and learning.

The ongoing social and emotional impacts of COVID-19 became even more impactful in 2020/2021. While the district's employees were faced with the daunting task of completely changing their work, behaviors and approach, its students had to start the school year with continued distance learning, which continued for most of the school year. In the Spring of 2021, in person instruction under strict health guidelines required staff and students to once again be nimble and pivot to in person instruction to complete the school year.

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. However, a number of the new funding initiatives provided in the 2020-21 State budget were ultimately restrictive in nature and must be treated like categorical funding for specified new programs. This trend seems to be expanding for the out years under the current administration and legislative priorities.

The State's Local Control Funding Formula for school districts entered its eighth year in 2020/2021. 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 55.20% 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 2021/2022 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 21st 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

	Governmental Activities
ASSETS	
Cash and investments (Note 2)	$ 555,708,084
Receivables	76,386,991
Prepaid expenses	1,924,679
Stores inventory	1,433,290
Non-depreciable capital assets (Note 4)	269,187,591
Depreciable capital assets, net of accumulated depreciation (Note 4)	499,449,984
Total assets	1,404,090,619
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss from refunding of debt	5,087,959
Deferred outflows of resources - OPEB (Note 10)	1,075,839
Deferred outflows of resources - pensions (Notes 8 and 9)	172,633,035
Total deferred outflows of resources	178,796,833
LIABILITIES	
Accounts payable	58,066,492
Unearned revenue	29,586,874
Unpaid claims and claim adjustment expenses (Note 5)	515,000
Long-term liabilities:	
Unpaid claims and claim adjustment expenses, less current portion (Note 5)	3,925,121
Due within one year (Note 6)	33,182,198
Due after one year (Note 6)	1,282,993,876
Total liabilities	1,408,269,561
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 8 and 9)	50,537,000
NET POSITION	
Net investment in capital assets	408,149,961
Restricted:	
Legally restricted programs	71,136,070
Capital projects	146,686,791
Debt service	36,254,533
Unrestricted	(538,146,464)
Total net position	$ 124,080,891

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

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Change in Net Position: Governmental Activities
Governmental activities:					
Instruction	$ 565,704,022	$ 3,282,187	$ 132,395,134	$ 50,696,225	$ (379,330,476)
Instruction-related services:					
Supervision of instruction	29,856,280	242,981	14,815,478	-	(14,797,821)
Instructional library, media and technology	4,763,928	5,734	486,330	-	(4,271,864)
School site administration	50,573,645	6,586	7,002,198	-	(43,564,861)
Pupil services:					
Home-to-school transportation	16,657,378	159,217	22,219	-	(16,475,942)
Food services	18,893,985	92,678	19,851,179	-	1,049,872
All other pupil services	62,465,541	80,511	21,259,654	-	(41,125,376)
General administration:					
Data processing	11,640,830	-	1,619,455	-	(10,021,375)
All other general administration	43,242,244	2,173	20,575,115	-	(22,664,956)
Plant services	62,346,492	221,919	2,020,363	-	(60,104,210)
Ancillary services	2,424,333	-	1,540,905	-	(883,428)
Community services	114,354	-	121,538	-	7,184
Interest on long-term liabilities	16,072,507	-	-	-	(16,072,507)
Other outgo	4,257,813	22,708,754	4,501,423	-	22,952,364
Total governmental activities	$ 889,013,352	$ 26,802,740	$ 226,210,991	$ 50,696,225	(585,303,396)
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					154,823,091
Taxes levied for debt service					32,412,383
Taxes levied for other specific purposes					928,328
Federal and state aid not restricted to specific purposes					457,875,302
Interest and investment earnings					1,145,443
Miscellaneous					1,416,136
Total general revenues					648,600,683
Change in net position					63,297,287
Net position, July 1, 2020					55,594,761
Cumulative effect of GASB 84 implementation					5,188,843
Net position, July 1, 2020, as restated					60,783,604
Net position, June 30, 2021					$ 124,080,891

ELK GROVE UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	General Fund	Building Fund	State School Facilities Fund	All Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and investments:					
Cash in County Treasury	$ 171,073,185	$ 40,018,411	$ 95,980,858	$ 60,253,494	$ 367,325,948
Cash with Fiscal Agent	1,009,814	128,448,449	-	36,504,419	165,962,682
Cash on hand and in banks	8,796	-	-	4,215,891	4,224,687
Cash in revolving fund	140,000	-	-	11,244	151,244
Cash awaiting deposit	1,996,924	-	-	1,118,801	3,115,725
Receivables	67,566,321	110,562	108,038	8,561,798	76,346,719
Prepaid expenditures	1,889,546	-	-	35,133	1,924,679
Due from other funds	8,390,206	-	-	7,430,334	15,820,540
Stores inventory	603,062	-	-	830,228	1,433,290
Total assets	$ 252,677,854	$ 168,577,422	$ 96,088,896	$ 118,961,342	$ 636,305,514
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 45,049,225	$ 5,397,888	$ 2,087,040	$ 1,110,300	$ 53,644,453
Unearned revenue	28,940,778	-	-	646,096	29,586,874
Due to other funds	5,009,719	5,280	-	7,565,927	12,580,926
Total liabilities	78,999,722	5,403,168	2,087,040	9,322,323	95,812,253
Fund balances:					
Nonspendable	2,632,608	-	-	876,605	3,509,213
Restricted	50,436,519	163,174,254	94,001,856	108,762,414	416,375,043
Assigned	121,323	-	-	-	121,323
Unassigned	120,487,682	-	-	-	120,487,682
Total fund balances	173,678,132	163,174,254	94,001,856	109,639,019	540,493,261
Total liabilities and fund balances	$ 252,677,854	$ 168,577,422	$ 96,088,896	$ 118,961,342	$ 636,305,514

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

Total fund balances - Governmental Funds		$ 540,493,261
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 $1,509,910,330 and the accumulated depreciation is $741,272,755 (Note 4).		768,637,575
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, 2021 consisted of (Note 6):		
Mello-Roos bonds	$ (86,946,133)	
General Obligation Bonds	(317,350,000)	
Accreted interest on bonds	(1,081,676)	
Unamortized premiums	(12,980,084)	
Unamortized bond discounts	133,173	
Net pension liability (Notes 8 and 9)	(756,867,000)	
Lease-leaseback	(11,770,000)	
Capitalized lease obligation	(1,411,783)	
Certificates of Participation	(98,425,000)	
Total OPEB liability (Note 10)	(12,171,425)	
Compensated absences	(17,306,146)	
		(1,316,176,074)
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.		5,087,959
Unmatured interest is not recognized until it is due and, therefore, is not accrued as a payable in governmental funds.		(4,395,848)
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	172,633,035	
Deferred inflows of resources relating to pensions	(50,537,000)	
		122,096,035

(Continued)

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	$	1,075,839
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:		7,262,144
Total net position - governmental activities	$	124,080,891

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

	General Fund	Building Fund	State School Facilities Fund	All Non-Major Funds	Total Governmental Funds
Revenues:					
Local Control Funding Formula:					
State apportionment	$ 443,929,293	$ -	$ -	$ 2,968,202	$ 446,897,495
Local sources	143,785,675	-	-	-	143,785,675
Total local control funding formula	587,714,968	-	-	2,968,202	590,683,170
Federal sources	74,227,435	-	-	20,389,105	94,616,540
Other state sources	132,865,830	-	50,488,122	5,507,260	188,861,212
Other local sources	4,223,748	395,449	241,233	71,546,483	76,406,913
Total revenues	799,031,981	395,449	50,729,355	100,411,050	950,567,835
Expenditures:					
Current:					
Certificated salaries	323,906,716	-	-	4,754,399	328,661,115
Classified salaries	93,710,963	-	-	11,609,566	105,320,529
Employee benefits	200,030,361	-	-	8,121,014	208,151,375
Books and supplies	50,347,512	-	-	7,975,449	58,322,961
Contract services and operating expenditures	77,086,186	1,005,603	12,872	1,555,168	79,659,829
Other outgo	3,928,891	-	-	91,369	4,020,260
Capital outlay	9,076,490	53,774,581	20,699,690	609,219	84,159,980
Debt service:					
Principal retirement	443,454	-	-	12,485,000	12,928,454
Interest	55,657	-	-	13,969,248	14,024,905
Total expenditures	758,586,230	54,780,184	20,712,562	61,170,432	895,249,408
Excess (deficiency) of revenues over (under) expenditures	40,445,751	(54,384,735)	30,016,793	39,240,618	55,318,427
Other financing sources (uses):					
Transfers in	3,677,987	-	67,894,768	34,850,552	106,423,307
Transfers out	(4,523,947)	-	(27,070,993)	(71,828,367)	(103,423,307)
Proceeds from sale of bonds	-	140,500,000	-	-	140,500,000
Premium on issance of bond	-	699,322	-	6,276,678	6,976,000
Total other financing sources (uses)	(845,960)	141,199,322	40,823,775	(30,701,137)	150,476,000
Net change in fund balances	39,599,791	86,814,587	70,840,568	8,539,481	205,794,427
Fund balances, July 1, 2020	134,078,341	76,359,667	23,161,288	95,910,695	329,509,991
Cumulative effect of GASB 84 implementation	-	-	-	5,188,843	5,188,843
Fund balances, July 1, 2020, as restated	134,078,341	76,359,667	23,161,288	101,099,538	334,698,834
Fund balances, June 30, 2021	$ 173,678,132	$ 163,174,254	$ 94,001,856	$ 109,639,019	$ 540,493,261

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

Net change in fund balances - Total Governmental Funds		$ 205,794,427
Amounts reported for governmental activities in the statement of 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).	83,809,666	
the governmental funds (Note 4).	(50,885,737)	
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).	12,928,454	
In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases in liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium, were (Note 6):	(140,500,000)	
Accreted interest on capital appreciation bonds is recognized in the period it is incurred. In governmental funds it is only recognized when it is due (Note 6).	(130,753)	
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).	(6,863,728)	
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).	(417,675)	
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).	(1,136,446)	
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:	(36,626,700)	
Interest on long-term liabilities is recognized in the period incurred, in governmental funds it is recognized when due.	193,769	

(Continued)

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:	(2,590,035)	
		$ (142,497,140)
Change in net position of governmental activities		$ 63,297,287

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

STATEMENT OF FUND NET POSITION – PROPRIETARY FUND
SELF-INSURANCE FUND
June 30, 2021

ASSETS	
Current assets:	
Cash and investments:	
Cash in County Treasury	$ 14,203,101
Cash with Fiscal Agent/Trustee	724,697
Receivables	40,272
Total current assets	14,968,070
LIABILITIES	
Current liabilities:	
Accounts payable	26,191
Due to other funds	3,239,614
Current unpaid claims and claims adjustment expense	515,000
Total current liabilities	3,780,805
Unpaid claims and claim adjustment expenses, less current portion	3,925,121
Total liabilities	7,705,926
NET POSITION	
Unrestricted	$ 7,262,144

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, 2021

Operating expenses:	
Classified salaries	$ 258,315
Employee benefits	141,456
Provision for unpaid claims and claim adjustment expenses	(705,806)
Total operating expense	(306,035)
Operating income	306,035
Non-operating income:	
Interest income	103,930
Income before transfers	409,965
Transfers to other District funds	(3,000,000)
Change in net position	(2,590,035)
Net position, July 1, 2020	9,852,179
Net position, June 30, 2021	$ 7,262,144

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

Cash flows from operating activities:	
Cash paid for salaries, benefits and services	$ (399,771)
Cash paid for services and supplies	(539,135)
Cash paid for claims	(1,761,173)
Net cash used in operating activities	(2,700,079)
Cash flows from noncapital financing activities:	
Transfers to other District funds	(3,000,000)
Cash provided by investing activities:	
Interest income	103,930
Change in cash and investments	(5,596,149)
Cash and investments, July 1, 2020	20,523,947
Cash and investments, June 30, 2021	$ 14,927,798
Reconciliation of operating income to net cash used in operating activities:	
Operating income	$ 306,035
Adjustments to reconcile operating income to net cash used in operating activities:	
Decrease in:	
Receivables	126,643
Due from other funds	35
(Decrease) in:	
Accounts payable	(227,357)
Due to other funds	(1,144,262)
Unpaid claims and claim adjustment expenses	(1,761,173)
Total adjustments	(3,006,114)
Net cash used in operating activities	$ (2,700,079)

ELK GROVE UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
TRUST FUND
June 30, 2021

	Scholarship Fund
ASSETS	
Cash on hand and in bank (Note 2)	$ 53,532
NET POSITION	
Restricted for scholarship funds	$ 53,532

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, 2021

		Scholarship Fund
Additions:		
Other local source	$	346
Deductions:		
Contract services and operating expenditures		582
Change in net position		(236)
Net position, July 1, 2020		53,768
Net position, June 30, 2021	$	53,532

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.

(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. Custodial funds are not included in the government-wide financial statements.

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.

(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.

State School Facilities Fund: The State School 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 Student Activity, 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 Capital 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.

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.

Trust Fund: The District maintains one trust fund, the Scholarship Fund, which is used to provide financial assistance to students of the District.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2021.

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.

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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 an 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.

	STRP	PERF B	Total
Deferred outflows of resources	$ 133,355,139	$ 39,277,896	$ 172,633,035
Deferred inflows of resources	$ 50,262,000	$ 275,000	$ 50,537,000
Net pension liability	$ 530,880,000	$ 225,987,000	$ 756,867,000
Pension expense	$ 105,900,992	$ 40,633,416	$ 146,534,408

Compensated Absences: Compensated absences benefits totaling $17,306,146 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.

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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2021, the District had no committed fund balances.

D - Assigned Fund Balance: The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate personnel within the District to assign fund balances, however, as of June 30, 2021, 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Property Taxes: Secured property taxes are attached as an enforceable lien on property as of 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.

New Accounting Pronouncements: In January 2017, the GASB issued GASB Statement No. 84, Fiduciary Activities. The principal objective of this Statement is to enhance the consistency and comparability of fiduciary activity reporting by state and local governments. The provisions in GASB Statement No. 84 are effective for reporting periods beginning after December 15, 2019. Based on the implementation of GASB Statement No. 84, the District restated its beginning net position of governmental activities as well as the aggregate remaining fund information beginning fund balance for a total of $5,188,843.

(Continued)

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2021 consisted of the following:

	Governmental Activities	Fiduciary Activities
Pooled Funds:		
Cash in County Treasury	$ 381,529,049	$ -
Cash with Fiscal Agent	166,687,379	-
Deposits:		
Cash on hand and in banks	4,224,687	53,532
Revolving cash fund	151,244	-
Cash awaiting deposit	3,115,725	-
Total	$ 555,708,084	$ 53,532

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.

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2021, the carrying amount of the District's accounts was $7,545,188 and the bank balance was $7,702,117. $474,625 of the bank balance was FDIC insured and $7,227,492 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, 2021, 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, 2021 the District had no concentration of credit risk.

(Continued)

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, 2021 were as follows:

Fund	Interfund Receivables	Interfund Payables
Major Funds:		
General	$ 8,390,206	$ 5,009,719
Building Fund	-	5,280
Non-Major Funds:		
Charter Schools	44,974	62,934
Adult Education	404,332	69,132
Child Development	482,947	530,668
Cafeteria	4,086,393	4,339,742
Capital Projects	1,568,499	1,762
Mello-Roos Administrative	843,189	2,561,689
Proprietary Fund:		
Self-Insurance	-	3,239,614
Total	$ 15,820,540	$ 15,820,540

(Continued)

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

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

Transfer from the General Fund to the Child Development Fund for indrect costs.	$ 485,995
Transfer from the General Fund to the Cafeteria Fund for indirect costs.	134,763
Transfer from the General Fund to the Cafeteria Fund for reimbursement of expenses.	3,903,189
Transfer from the Charter Schools Fund to the General Fund for indirect costs.	63,799
Transfer from the Child Development Fund to the General Fund for indirect costs.	206,467
Transfer from the Cafeteria Fund to the General Fund for indirect costs.	307,003
Transfer from the Adult Education Fund to the General Fund for indirect costs.	100,718
Transfer from the Capital Projects Fund to the State School Facilities Fund for Laguna Ridge East Elementary School project.	1,200,000
Transfer from the Capital Facilities Fund to the State School Facilities Fund for Laguna Ridge East Elementary School project.	66,694,768
Transfer from the State School Facilities Fund to the Capital Projects Fund for the Zehnder Ranch, Robert McGarvey and new Franklin Elementary School projects.	27,070,993
Transfer from the Capital Projects Fund to the Mello-Roos Administrative Fund for excess funds.	843,923
Transfer from the Mello-Roos Administrative Fund to the Capital Projects Fund for excess tax correction.	2,411,689
Transfer from Self-Insurance Fund to the General Fund for excess reserves.	3,000,000
	$ 106,423,307

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2020	Transfers and Additions	Transfers and Deletions	Balance June 30, 2021
Non-depreciable:				
Land	$ 158,357,886	$ 2,900,000	$ -	$ 161,257,886
Work-in-process	55,063,017	67,822,852	14,956,164	107,929,705
Depreciable:				
Improvement of sites	89,590,044	7,622,108	-	97,212,152
Buildings	1,069,906,195	18,357,269	-	1,088,263,464
Equipment	53,570,792	2,063,601	387,270	55,247,123
Totals, at cost	1,426,487,934	98,765,830	15,343,434	1,509,910,330
Less accumulated depreciation:				
Improvement of sites	(41,948,756)	(4,539,877)	-	(46,488,633)
Buildings	(615,827,033)	(43,073,711)	-	(658,900,744)
Equipment	(32,998,499)	(3,272,149)	(387,270)	(35,883,378)
Total accumulated depreciation	(690,774,288)	(50,885,737)	(387,270)	(741,272,755)
Capital assets, net	$ 735,713,646	$ 47,880,093	$ 14,956,164	$ 768,637,575

Depreciation expense was charged to governmental activities as follows:

Instruction	$ 50,885,737

At June 30, 2021, the District had outstanding construction contract commitments of approximately $120.3 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, 2021, 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 $4,440,121 at June 30, 2021 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)

NOTE 5 - SELF-INSURANCE (Continued)

Changes in the District's unpaid claims and claim adjustment expenses for the years ended June 30, 2021 and June 30, 2020 were as follows:

	Unpaid Claims and Claim Adjustment Expenses July 1	Incurred Claims	Claims Payments	Unpaid Claims and Claim Adjustment Expenses June 30
2020/2021	$ 6,201,294	$ (983,747)	$ (777,426)	$ 4,440,121
2019/2020	$ 8,174,564	$ (986,844)	$ (986,426)	$ 6,201,294

NOTE 6 - LONG-TERM LIABILITIES

Mello-Roos Bonds Payable: A summary of Mello-Roos Bonds payable at June 30, 2021 follows:

Series	Interest Rate	Original Maturity	Balance July 1, 2020	Current Year Issuance	Current Year Maturities	Balance June 30, 2021
1995	4.0 - 6.5%	2024	$ 10,320,000	$ -	$ 2,920,000	$ 7,400,000
2008	6.75%	2036	651,133	-	-	651,133
2012	0.50-4.05%	2033	79,575,000	-	680,000	78,895,000
			$ 90,546,133	$ -	$ 3,600,000	$ 86,946,133

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, 2021 $651,133 is outstanding related to the 2008 Mello-Roos Bonds.

(Continued)

NOTE 6 - LONG-TERM LIABILITIES (Continued)

The annual requirements to amortize the Mello-Roos Bonds payable outstanding as of June 30, 2021 are as follows:

Year Ending June 30,	Principal	Interest	Total
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	6,355,000	2,105,663	8,460,663
2027-2031	34,775,000	7,444,467	42,219,467
2032-2036	24,426,133	2,468,306	26,894,439
	$ 86,946,133	$ 22,750,409	$ 109,696,542

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.

In April 2021, the District issued Election of 2016, Series 2021 General Obligation bonds in the amount of $140,500,000. The proceeds were used to fund specific school facilities projects within the district. The Bonds bear interest at rates ranging from 2.0% to 5.0% and are scheduled to mature through August 2045.

A summary of General Obligation Bonds payable as of June 30, 2021 are as follows:

Series	Interest Rate	Original Maturity	Balance July 1, 2020	Current Year Issuance	Current Year Maturities	Balance June 30, 2021
2017	3.375-5.0%	2047	$ 61,550,000	$ -	$ -	$ 61,550,000
2019	3.0-5.0%	2049	121,000,000	-	5,700,000	115,300,000
2021	2.0% - 5.0%	2046	-	140,500,000	-	140,500,000
			$ 182,550,000	$ 140,500,000	$ 5,700,000	$ 317,350,000

(Continued)

NOTE 6 - LONG-TERM LIABILITIES (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2022	$ 8,100,000	$ 9,552,414	$ 17,652,414
2023	10,050,000	9,977,794	20,027,794
2024	6,250,000	9,570,294	15,820,294
2025	-	9,414,044	9,414,044
2026	-	9,414,044	9,414,044
2027-2031	15,880,000	46,052,244	61,932,244
2032-2036	48,270,000	39,427,931	87,697,931
2037-2041	75,595,000	30,953,359	106,548,359
2042-2046	111,850,000	17,598,856	129,448,856
2047-2049	41,355,000	2,389,300	43,744,300
	$ 317,350,000	$ 184,350,280	$ 501,700,280

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 June 30,	Principal	Interest	Total
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	1,590,000	2,938,569	4,528,569
2027-2031	8,940,000	13,432,344	22,372,344
2032-2036	34,680,000	10,993,844	45,673,844
2037-2040	45,950,000	3,728,731	49,678,731
	$ 98,425,000	$ 43,654,514	$ 142,079,514

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 $2,822,996. The following is a summary of future payments on the capital leases:

Year Ending June 30,	Payment
2022	$ 499,111
2023	499,111
2024	499,111
Total payments	1,497,333
Less amount representing interest	(85,550)
Net present value of minimum payments	$ 1,411,783

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 June 30,	Principal	Interest	Total
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	504,000	345,929	849,929
2027-2031	2,801,000	1,452,852	4,253,852
2032-2036	3,362,000	929,143	4,291,143
2037-2040	3,245,000	288,623	3,533,623
	$ 11,770,000	$ 4,565,200	$ 16,335,200

(Continued)

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, 2021 is shown below:

	Balance July 1, 2020	Additions	Deletions	June 30, 2021	Amounts Due Within One Year
Debt:					
Mello-Roos bonds	$ 90,546,133	$ -	$ 3,600,000	$ 86,946,133	$ 3,810,000
General Obligation Bonds	182,550,000	140,500,000	5,700,000	317,350,000	8,100,000
Accreted Interest on bonds	950,923	130,753	-	1,081,676	-
Unamortized bond premiums	6,127,454	6,976,000	123,370	12,980,084	185,392
Unamortized bond discounts	(144,271)	-	(11,098)	(133,173)	(11,098)
Certificates of participation	101,185,000	-	2,760,000	98,425,000	2,895,000
Direct Placement Debt:					
Lease-leaseback	12,195,000	-	425,000	11,770,000	440,000
Other Long-Term Liabilities:					
Net pension liability (Notes 8 and 9)	749,359,000	7,508,000	-	756,867,000	-
Total OPEB liability (Note 10)	11,770,913	400,512	-	12,171,425	-
Capitalized lease obligation	1,855,237	-	443,454	1,411,783	456,758
Compensated absences	16,169,700	1,136,446	-	17,306,146	17,306,146
Totals	$ 1,172,565,089	$ 156,651,711	$ 13,040,726	$ 1,316,176,074	$ 33,182,198

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.

NOTE 7 - FUND BALANCES

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

	General Fund	Building Fund	State School Facilities Fund	All Non-Major Funds	Total
Nonspendable:					
Revolving cash fund	$ 140,000	$ -	$ -	$ 11,244	$ 151,244
Prepaid expenditures	1,889,546	-	-	35,133	1,924,679
Stores inventory	603,062	-	-	830,228	1,433,290
Subtotal nonspendable	2,632,608	-	-	876,605	3,509,213
Restricted:					
Legally restricted programs	50,436,519	-	-	19,825,446	70,261,965
Capital projects	-	163,174,254	94,001,856	52,682,435	309,858,545
Debt Service	-	-	-	36,254,533	36,254,533
Subtotal restricted	50,436,519	163,174,254	94,001,856	108,762,414	416,375,043
Assigned:					
EPA	121,323	-	-	-	121,323
Subtotal assigned	121,323	-	-	-	121,323
Unassigned:					
Designated for economic uncertainty	16,400,000	-	-	-	16,400,000
Unassigned	104,087,682	-	-	-	104,087,682
Subtotal unassigned	120,487,682	-	-	-	120,487,682
Total fund balances	$ 173,678,132	$ 163,174,254	$ 94,001,856	$ 109,639,019	$ 540,493,261

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.

(Continued)

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

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

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

The Defined Benefit (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 up to the 2.4 percent maximum.

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any 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 required portions of the contribution to supplant the amounts remitted by employers such that the amounts remitted will be 1.03 and 0.70 percentage points less than the statutorily required amounts due for fiscal years 2019–20 and 2020–21, respectively. The remaining portion of the contribution, approximately $1.6 billion, was allocated to reduce the employers' share of the unfunded actuarial obligation of the DB Program.

(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 percent less than the statutory rate for fiscal year 2020–21 and 2.18 percent less than the rate set by the board for fiscal year 2021–22. Any remaining amounts must be allocated to reduce the employers' share of the unfunded actuarial obligation of the DB Program. The rate reduction for fiscal year 2019-20 under SB 90 was not changed by AB 84. The employer contribution rates set in statute and the board's authority to adjust those rates starting in fiscal year 2021–22 under the CalSTRS Funding Plan were not changed by the passage of SB 90 or AB 84.

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

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

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2020-21.

Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 10.205 percent of applicable member earnings for fiscal year 2020-21.

According to current law, the contribution rate for CalSTRS 2% at 62 members is adjusted if the normal cost increases or decreases by more than 1 percent since the last time the member contribution rate was set. Based on the June 30, 2019, valuation adopted by the board in May 2020, the increase in normal cost was less than 1percent. Therefore, the contribution rate for CalSTRS 2% at 62 members did not change effective July 1, 2020.

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

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

(Continued)

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

The CalSTRS employer contribution rates effective for fiscal year 2020-21 through fiscal year 2046-47 are summarized in the table below:

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

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

The District contributed $50,012,139 to the plan for the fiscal year ended June 30, 2021.

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

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

The CalSTRS state contribution rates effective for fiscal year 2021-2022 and beyond are summarized in the table below.

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

(1) The SBMA contribution rate excludes the $72 million that is reduced from the required contribution in accordance with Education Code section 22954. .
(2) The board has limited authority to adjust the state contribution rate annually through June 2046 in order to eliminate the remaining unfunded actuarial obligation. The board cannot increase the supplemental rate by more than 0.5% in a fiscal year, and if there is no unfunded actuarial obligation, the supplemental contribution rate imposed would be reduced to 0%.
(3) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining unfunded actuarial obligation.

(Continued)

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

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

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

District's proportionate share of the net pension liability	$ 530,880,000
State's proportionate share of the net pension liability associated with the District	290,122,000
Total	$ 821,002,000

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school districts and the State. At June 30, 2020, the District's proportion was 0.548 percent, which was a decrease of 0.044 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of $105,900,992 and revenue of $38,481,672 for support provided by the State. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 937,000	$ 14,972,000
Changes of assumptions	51,768,000	-
Net differences between projected and actual earnings on investments	12,611,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	18,027,000	35,290,000
Contributions made subsequent to measurement date	50,012,139	-
Total	$ 133,355,139	$ 50,262,000

(Continued)

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

$50,012,139 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2022	$ 2,266,733
2023	$ 14,666,733
2024	$ 20,751,233
2025	$ 4,258,567
2026	$ (3,618,433)
2027	$ (5,243,833)

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

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

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

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

(Continued)

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

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

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

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

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

* 20-year geometric average

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.1 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 (6.1 percent) or 1-percentage-point higher (8.1 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	$ 802,086,000	$ 530,880,000	$ 306,962,000

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

(Continued)

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

General Information about the Public Employer's Retirement Fund B

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

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

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

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

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer's benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when districts first join 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, 2021 were as follows:

Members - The member contribution rate was 20.70 percent of applicable member earnings for fiscal year 2020-21.

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

The District contributed $21,413,896 to the plan for the fiscal year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of $225,987,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school districts. At June 30, 2020, the District's proportion was 0.737 percent, which was a decrease of 0.001 percent from its proportion measured as of June 30, 2019.

(Continued)

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

For the year ended June 30, 2021, the District recognized pension expense of $40,633,416. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 11,208,000	$ -
Changes of assumptions	829,000	-
Net differences between projected and actual earnings on investments	4,704,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,123,000	275,000
Contributions made subsequent to measurement date	21,413,896	-
Total	$ 39,277,896	$ 275,000

$21,413,896 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2022	$ 6,610,667
2023	$ 5,336,667
2024	$ 3,476,666
2025	$ 2,165,000

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

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

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

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

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

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

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.

Asset Class	Long-Term* Assumed Asset Allocation	Expected Real Rate of Return Years (1-10)(1)	Expected Real Rate of Return Years 11+(2)
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 pension fund cash flows. Using historical and forecasted information for all the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long- term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses

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% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	$ 324,897,000	$ 225,987,000	$ 70,244,000

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

NOTE 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, 2021 the District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's Total OPEB Liability.

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

	Number of Participants
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 $1,131,632 for the year ended June 30, 2021. Employees are not required to contribute to the OPEB plan.

(Continued)

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, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2019
Fiscal Year End	June 30
Actuarial Value of Assets	Market Value
Mortality Rate	PERS - 2014 California PERS experience study. STRS - 2009 experience study.
Discount Rate	2.2%. Based on the Bond Buyer 20-Bond Index, as published by the Federal Reserve.
Assumed Investment Return	Not applicable since the plan is unfunded.
Retirement Rate	No assumption due to lack of future retirees.
Inflation Rate	2.63% per year
Salary Increases	No assumption due to lack of future retirees.
Administrative Expenses	None.
Dependent Coverage	Current retirees are valued based on elected coverage.
Health Plan Participation	No assumption due to lack of future retirees.
Medicare Coverage	All participating retirees and spouses will qualify for Medicare coverage and enroll in Parts A and B upon age 65.
Health Care Inflation	4.00% per year
Termination Rate	No assumption due to lack of future retirees.
Disability Rate	None.
Medical Aging Factors	None.
Health Claims	None.
Funding Method	Entry Age Cost Method (Level Percentage of Pay).

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2020	$ 11,770,913
Changes for the year:	
Service cost	-
Interest	392,178
Changes of benefit terms	-
Differences between actual and expected experience	-
Changes in assumptions	1,139,966
Benefit payments	(1,131,632)
Experience (Gains)/Losses	-
Administrative expenses	-
Net change	400,512
Balance at June 30, 2021	$ 12,171,425

The changes in assumptions includes a change in the discount rate from 3.5% in the prior valuation, to 2.2% in the current valuation. There were no other changes between measurement date and the year ended June 30, 2021 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% Decrease (1.2%)	Current Discount Rate (2.2%)	1% Increase (3.2%)
Total OPEB liability	$ 12,964,534	$ 12,171,425	$ 11,251,692

(Continued)

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% Decrease (3.0%)	Healthcare Cost Trend Rates Rate (4.0%)	1% Increase (5.0%)
Total OPEB liability	$ 11,292,770	$ 12,171,425	$ 13,241,777

For the year ended June 30, 2021, the District recognized OPEB expense of $1,532,144.

$1,075,839 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, 2022.

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 $1,075,839 to EGBERT for the year ended June 30, 2021.

(Continued)

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, 2021:

Total assets	$ 217,113,543
Total deferred outflows	$ 1,855,968
Total liabilities	$ 87,859,871
Total deferred inflows	$ 751,640
Total net position	$ 130,358,000
Total revenues	$ 73,201,625
Total expenditures	$ 57,783,763
Change in net position	$ 15,417,862

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.

(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.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local control funding formula:				
State apportionment	$ 482,853,545	$ 457,507,596	$ 443,929,293	$ (13,578,303)
Local sources	134,984,126	134,987,957	143,785,675	8,797,718
Total Local control funding formula:	617,837,671	592,495,553	587,714,968	(4,780,585)
Federal sources	39,045,915	198,449,560	74,227,435	(124,222,125)
Other state sources	99,344,811	114,909,552	132,865,830	17,956,278
Other local sources	3,991,499	9,337,073	4,223,748	(5,113,325)
Total revenues	760,219,896	915,191,738	799,031,981	(116,159,757)
Expenditures:				
Current:				
Certificated salaries	324,737,080	322,992,919	323,906,716	(913,797)
Classified salaries	107,748,792	103,881,359	93,710,963	10,170,396
Employee benefits	223,694,378	207,173,268	200,030,361	7,142,907
Books and supplies	31,168,889	74,171,632	50,347,512	23,824,120
Contract services and operating expenditures	56,372,872	73,115,633	77,086,186	(3,970,553)
Other outgo	2,498,440	2,120,976	3,928,891	(1,807,915)
Capital outlay	467,213	35,683,481	9,076,490	26,606,991
Debt service:				
Principal retirement	405,823	443,454	443,454	-
Interest	93,288	55,657	55,657	-
Total expenditures	747,186,775	819,638,379	758,586,230	61,052,149
Excess of revenues over expenditures	13,033,121	95,553,359	40,445,751	(55,107,608)
Other financing sources (uses):				
Transfers in	-	-	3,677,987	3,677,987
Transfers out	(240,711)	(229,770)	(4,523,947)	(4,294,177)
Total other financing sources (uses)	(240,711)	(229,770)	(845,960)	(616,190)
Net change in fund balance	12,792,410	95,323,589	39,599,791	(55,723,798)
Fund balance, July 1, 2020	134,078,341	134,078,341	134,078,341	-
Fund balance, June 30, 2021	$ 146,870,751	$ 229,401,930	$ 173,678,132	$ (55,723,798)

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, 2021

Last 10 Fiscal Years

	2018	2019	2020	2021
Total OPEB liability				
Service cost	$ -	$ -	$ -	$ -
Interest	489,361	503,010	465,082	392,178
Change in assumptions	-	(314,780)	236,642	1,139,966
Experience (Gains)/Losses	-	-	(647,017)	-
Benefit payments	(1,151,839)	(1,197,913)	(1,110,165)	(1,131,632)
Net change in total OPEB liability	(662,478)	(1,009,683)	(1,055,458)	400,512
Total OPEB liability - beginning of year	14,500,532	13,836,054	12,826,371	11,770,913
Total OPEB liability - end of year	$ 13,838,054	$ 12,826,371	$ 11,770,913	$ 12,171,425
Covered employee payroll	N/A*	N/A*	N/A*	N/A*
Total OPEB liability as a percentage of covered-employee payroll	N/A*	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, 2021

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021
District's proportion of the net pension liability	0.575%	0.575%	0.571%	0.561%	0.565%	0.592%	0.548%
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	$ 530,880,000
State's proportionate share of the net pension liability associated with the District	202,735,000	204,691,000	263,129,000	306,866,000	297,535,000	291,494,000	290,122,000
Total net pension liability	$ 538,474,000	$ 591,713,000	$ 725,298,000	$ 825,575,000	$ 817,203,000	$ 825,787,000	$ 821,002,000
District's covered payroll	$ 255,898,000	$ 266,821,000	$ 284,779,000	$ 296,958,000	$ 302,077,000	$ 313,827,000	$ 312,142,000
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%	170.08%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%	70.99%	72.56%	71.82%

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

All years prior to 2015 are not available.

(Continued)

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

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021
District's proportion of the net pension liability	0.694%	0.712%	0.710%	0.724%	0.730%	0.738%	0.737%
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	$ 225,987,000
District's covered payroll	$ 72,899,000	$ 78,790,000	$ 85,132,000	$ 92,198,000	$ 97,719,000	$ 103,122,000	$ 106,797,000
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%	211.60%
Plan fiduciary net position as a percentage of the total pension liability	83.38%	79.43%	73.89%	71.87%	70.85%	70.05%	70.00%

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

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021
Contractually required contribution	$ 23,693,748	$ 30,556,787	$ 37,357,344	$ 43,589,645	$ 51,091,114	$ 53,376,320	$ 50,012,139
Contributions in relation to the contractually required contribution	(23,693,748)	(30,556,787)	(37,357,344)	(43,589,645)	(51,091,114)	(53,376,320)	(50,012,139)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 266,821,000	$ 284,779,000	$ 296,958,000	$ 302,077,000	$ 313,827,000	$ 312,142,000	$ 261,844,000
Contributions as a percentage of covered payroll	8.88%	10.73%	12.58%	14.43%	16.28%	17.10%*	16.15%**

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

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

All years prior to 2015 are not available.

(Continued)

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021
Contractually required contribution	$ 9,274,354	$ 10,085,627	$ 12,804,434	$ 15,176,778	$ 18,625,808	$ 21,061,415	$ 21,413,896
Contributions in relation to the contractually required contribution	(9,274,354)	(10,085,627)	(12,804,434)	(15,176,778)	(18,625,808)	(21,061,415)	(21,413,896)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 78,790,000	$ 85,132,000	$ 92,198,000	$ 97,719,000	$ 103,122,000	$ 106,797,000	$ 103,449,000
Contributions as a percentage of covered payroll	11.77%	11.85%	13.89%	15.53%	18.06%	19.72%	20.70%

All years prior to 2015 are not available.

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, to 3.87%, 3.5% and 2.2% in the June 30, 2018, 2019 and 2020, respectively, 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, 7.15 and 7.15 percent in the June 30, 2013, 2014, 2015, 2016, 2017, 2018, and 2019 actuarial reports, respectively.

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

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

SUPPLEMENTARY INFORMATION

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

	Student Activity Fund	Charter Schools Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Fund	Capital Projects Fund	Bond Interest Redemption Fund	Mello-Roos Administrative Fund	Total
ASSETS												
Cash in County Treasury	$ -	$ 5,389,874	$ 2,411,428	$ 111,364	$ 403,296	$ 282,910	$ 15,965,805	$ 2,194,050	$ 31,554,248	$ -	$ 1,940,519	$ 60,253,494
Cash with Fiscal Agent	-	-	-	-	-	-	-	-	499,612	18,063,536	17,941,271	36,504,419
Cash on hand and in banks	4,181,224	-	16,306	-	18,361	-	-	-	-	-	-	4,215,891
Cash in revolving fund	-	-	-	-	11,244	-	-	-	-	-	-	11,244
Cash awaiting deposit	-	-	63,665	324,451	-	-	730,685	-	-	-	-	1,118,801
Receivables	-	162,550	624,224	607,165	6,884,355	755	171,730	5,754	77,558	27,707	-	8,561,798
Prepaid expenditures	-	32,633	-	-	-	-	-	-	2,500	-	-	35,133
Due from other funds	-	44,974	404,332	482,947	4,086,393	-	-	-	1,568,499	-	843,189	7,430,334
Stores inventory	124,191	-	-	-	706,037	-	-	-	-	-	-	830,228
Total assets	$ 4,305,415	$ 5,630,031	$ 3,519,955	$ 1,525,927	$ 12,109,686	$ 283,665	$ 16,868,220	$ 2,199,804	$ 33,702,417	$ 18,091,243	$ 20,724,979	$ 118,961,342
LIABILITIES AND FUND BALANCES												
Liabilities:												
Accounts payable	$ -	$ 88,076	$ 153,610	$ 273,533	$ 511,066	$ 271	$ 7,891	$ -	$ 75,853	$ -	$ -	$ 1,110,300
Unearned revenue	-	1,021	2,000	176,162	466,913	-	-	-	-	-	-	646,096
Due to other funds	-	62,934	69,132	530,668	4,339,742	-	-	-	1,762	-	2,561,689	7,565,927
Total liabilities	-	152,031	224,742	980,363	5,317,721	271	7,891	-	77,615	-	2,561,689	9,322,323
Fund balances:												
Nonspendable	124,191	32,633	-	-	717,281	-	-	-	2,500	-	-	876,605
Restricted	4,181,224	5,445,367	3,295,213	545,564	6,074,684	283,394	16,860,329	2,199,804	33,622,302	18,091,243	18,163,290	108,762,414
Total fund balance	4,305,415	5,478,000	3,295,213	545,564	6,791,965	283,394	16,860,329	2,199,804	33,624,802	18,091,243	18,163,290	109,639,019
Total liabilities and fund balances	$ 4,305,415	$ 5,630,031	$ 3,519,955	$ 1,525,927	$ 12,109,686	$ 283,665	$ 16,868,220	$ 2,199,804	$ 33,702,417	$ 18,091,243	$ 20,724,979	$ 118,961,342

ELK GROVE UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES - ALL NON-MAJOR FUNDS
June 30, 2021

	Student Activity Fund	Charter Schools Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve for Capital Outlay Fund	Capital Projects Fund	Bond Interest Redemption Fund	Mello-Roos Administrative Fund	Total
Revenues:												
Local Control Funding Formula:												
Local sources	$ -	$ 2,576,526	$ 391,676	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,968,202
Local control funding formula	-	2,576,526	391,676	-	-	-	-	-	-	-	-	2,968,202
Federal sources	-	18,938	1,657,434	3,406,733	15,306,000	-	-	-	-	-	-	20,389,105
Other state sources	-	331,364	2,665,775	1,573,891	812,075	-	-	-	-	124,155	-	5,507,260
Other local sources	1,540,905	32,615	293,322	398,820	303,347	1,859	27,198,900	75,493	1,032,948	22,839,888	17,828,386	71,546,483
Total revenues	1,540,905	2,959,443	5,008,207	5,379,444	16,421,422	1,859	27,198,900	75,493	1,032,948	22,964,043	17,828,386	100,411,050
Expenditures:												
Current:												
Certificated salaries	-	1,276,501	1,403,548	2,074,350	-	-	-	-	-	-	-	4,754,399
Classified salaries	-	158,082	1,103,958	1,207,536	7,790,748	-	175,747	-	1,173,495	-	-	11,609,566
Employee benefits	-	588,771	1,226,061	1,605,541	4,123,476	-	81,969	-	495,196	-	-	8,121,014
Books and supplies	2,424,333	211,507	241,381	377,521	4,706,957	-	-	-	13,750	-	-	7,975,449
Contract services and operating expenditures	-	88,714	413,019	132,284	768,169	-	100,149	-	52,833	-	-	1,555,168
Other outgo	-	-	91,369	-	-	-	-	-	-	-	-	91,369
Capital outlay	-	-	-	148,264	10,285	309	-	(12,696)	463,057	-	-	609,219
Debt service:												
Principal retirement	-	-	-	-	-	-	-	-	-	5,700,000	6,785,000	12,485,000
Interest	-	-	-	-	-	-	-	-	-	6,770,381	7,198,867	13,969,248
Total expenditures	2,424,333	2,323,575	4,479,336	5,545,496	17,399,635	309	357,865	(12,696)	2,198,331	12,470,381	13,983,867	61,170,432
(Deficiency) excess of revenues (under) over expenditures	(883,428)	635,868	528,871	(166,052)	(978,213)	1,550	26,841,035	88,189	(1,165,383)	10,493,662	3,844,519	39,240,618
Other financing sources (uses):												
Transfers in	-	-	-	485,995	4,037,952	-	-	-	29,482,682	-	843,923	34,850,552
Transfers out	-	(63,799)	(100,718)	(206,467)	(307,003)	-	(66,694,768)	-	(2,043,923)	-	(2,411,689)	(71,828,367)
Premium on issance of bond	-	-	-	-	-	-	-	-	-	6,276,678	-	6,276,678
Total other financing sources (uses)	-	(63,799)	(100,718)	279,528	3,730,949	-	(66,694,768)	-	27,438,759	6,276,678	(1,567,766)	(30,701,137)
Net change in fund balances	(883,428)	572,069	428,153	113,476	2,752,736	1,550	(39,853,733)	88,189	26,273,376	16,770,340	2,276,753	8,539,481
Fund balance, July 1, 2020	-	4,905,931	2,867,060	432,088	4,039,229	281,844	56,714,062	2,111,615	7,351,426	1,320,903	15,886,537	95,910,695
Cumulative effect of GASB 84 implementation	5,188,843	-	-	-	-	-	-	-	-	-	-	5,188,843
Fund balances, July 1, 2020, as restated	5,188,843	4,905,931	2,867,060	432,088	4,039,229	281,844	56,714,062	2,111,615	7,351,426	1,320,903	15,886,537	101,099,538
Fund balance, June 30, 2021	$ 4,305,415	$ 5,478,000	$ 3,295,213	$ 545,564	$ 6,791,965	$ 283,394	$ 16,860,329	$ 2,199,804	$ 33,624,802	$ 18,091,243	$ 18,163,290	$ 109,639,019

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. There were no changes in the boundaries of the District during the year. 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

Name	Office	Term Expires
Beth Albiani	President	November 2022
Dr. Crystal Martinez-Alire	Clerk	November 2022
Carmine S. Forcina	Member	November 2024
Sean J. Yang	Member	November 2024
Gina Jamerson	Member	November 2022
Nancy Chaires Espinoza	Member	November 2024
Anthony "Tony" Perez	Member	November 2024

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, Special Education & Negotiations

Robert Pierce
Deputy Superintendent, Business Services and Facilities

Shannon Hayes
Chief Financial Officer

Craig Murray
Assistant Superintendent, Secondary Education

GRADE LEVEL	Number of Days	Status
DISTRICT		
Kindergarten	180	In Compliance
Grade 1	180	In Compliance
Grade 2	180	In Compliance
Grade 3	180	In Compliance
Grade 4	180	In Compliance
Grade 5	180	In Compliance
Grade 6	180	In Compliance
Grade 7	180	In Compliance
Grade 8	180	In Compliance
Grade 9	180	In Compliance
Grade 10	180	In Compliance
Grade 11	180	In Compliance
Grade 12	180	In Compliance

Assistance Listing Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education - Passed through California Department of Education			
	Special Education IDEA Cluster:		
84.027A	Special Ed: Mental Health Services	15197	$ 713,807
84.027	Special Ed: Basic Grant Entitlement PL 101-476	13379	10,205,112
84.027	Special Ed: IDEA Local Asst Private School	10115	296,181
84.173A	Special Education: Preschool Staff Development	13431	424
84.173	Special Education: IDEA Preschool Grants	13430	212,315
	Subtotal Special Education IDEA Cluster		11,427,839
	Adult Education Programs:		
84.002A	Adult Education: Adult Basic Education & ESL	14508	237,395
84.002A	Adult Education: English Literacy & Civics Education	14109	83,685
84.002A	Adult Education: Institutionalized Adults	13971	147,481
84.002A	Adult Education: Adult Secondary Education	13978	286,202
	Subtotal Adult Education Programs		754,763
	Vocational Programs:		
84.048	Vocational Programs: Voc & Appl Tech Secondary IIC	14894	423,543
84.048A	Vocational Programs: Post Secondary & Adult IIC	14893	126,042
	Subtotal Vocational Programs		549,585
	ESEA: Title III Programs:		
84.365	ESEA: Title III, Immigrant	15146	16,975
84.365	ESEA: Title III, Limited English Proficient (LEP) Student Program	14346	1,259,223
	Subtotal ESEA: Title III Programs		1,276,198
	ESEA: Title I, Part A Programs:		
84.010	ESEA: Title I: Basic Grants Low-Income and Neglected	14329	12,711,760
84.010	ESSA School Improvement Funding for LEA"s	15438	156,076
	Subtotal ESEA: Title I, Part A Programs		12,867,836

(Continued)

Assistance Listing Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expenditures
	COVID-19 - Education Stabilization Fund Programs:		
84.425	COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER)	15536	$ 7,114,871
84.425	COVID-19 - Child Nutrition: COVID CARES Act Supplemental Meal Reimbursement	15535	1,294,056
84.425C	COVID-19 - Governor's Relief Fund: Learning Loss Mitigation	15517	1,891,003
	Subtotal COVID-19 - Education Stabilization Fund Programs		10,299,930
84.424	ESEA: Title IV Student Support and Academic Enrichment	15396	1,318,123
84.181	Special Education: IDEA Early Intervention Grants	23761	53,605
84.367	ESEA: Title II, Part A, Teacher Quality Local Grants	14341	733,293
84.287C	ESEA: Title IV, Part B, 21st Century Community Learning Centers Program	14349	1,964,954
84.126	Department of Rehabilitation: Workability II, Transitions Partnership Program	10006	244,317
84.060	Indian Education	10011	76,597
84.305A	EDC - Career Academies Grant	*	2,919
84.196A	ESSA: Education for Homeless Children and Youth	14332	83,681
	Total U.S. Department of Education		41,653,640
U.S. Department of Labor - Passed through California Department of Education			
	WIOA Cluster:		
17.258	SETA: Refugee Support Services	*	64,434
17.259	SETA: One Stop, Out of School Services	*	220,712
	Subtotal WIOA Cluster		285,146
17.260	SETA: Training Center	*	277,575
	Total U.S. Department of Labor		562,721
U.S. Department of Health and Human Services - Passed through California Department of Education			
93.600	Head Start - Basic - Head Start Cluster	10016	3,299,790
93.778	Dept of Health Services (DHCS): Medi-Cal Billing Option - Medicaid Cluster	10013	489,216
93.674	Independent Living Program	*	99,999
93.575	Child Dev: Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act- One-time Stipend		106,943

(Continued)

Assistance Listing Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expenditures
	SETA Programs:		
93.569	SETA: COVID-19 Refugee ELL	*	$ 8,640
93.569	CARES Summer Learning City of Sacramento	*	42,548
93.569	SETA: CSBG Safety Self Sufficiency	*	69,414
93.569	SETA: CSBG Safety Net	*	95,997
	Subtotal SETA Programs		216,599
	Total U.S. Department of Health and Human Services		4,212,547
	U.S. Department of Agriculture - Passed through California Department of Education		
	Child Nutrition Cluster:		
10.555	Child Nutrition: School Programs (NSL Sec 4) - Child Nutrition Cluster	13391	13,602,981
10.579	NSLP Equipment Assistance Grant	14906	10,285
	Subtotal Child Nutrition Cluster		13,613,266
10.558	Child Nutrition: CACFP Claims Centers and Family Day Day Care	13393	1,231,952
10.582	Child Nutrition: Fresh Fruit and Vegetable Program	14968	64,979
	Total U.S. Department of Agriculture		14,910,197
	U.S. Department of Justice - Passed through California Department of Education		
16.812	Sacramento County: Correctional Vocational Education	*	39,857
	Total U.S. Department of Justice		39,857
	U.S. Department of Homeland Security - Passed through California Department of Education		
97.U01	Air Force ROTC	*	87,312
	Total U.S. Department of Homeland Security		87,312
	U.S. Department of the Treasury - Passed through California Department of Education		
21.019	COVID-19 - Coronavirus Relief Fund: Learning Loss Mitigation	25516	33,802,066
	Total U.S. Department of Treasury		33,802,066
	Total Federal Programs		$ 95,268,340

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

See accompanying notes to supplementary information.

	Bond Interest and Redemption Fund
June 30, 2021 Unaudited Actual Financial Reporting Ending Fund Balance	$ 11,814,565
To correct debt issuance premiums recorded by the Sacramento County Treasurer	6,276,678
June 30, 2021 Audited Financial Statements Ending Fund Balance	$ 18,091,243

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

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
UNAUDITED
For the Year Ended June 30, 2021

	(Budgeted) 2022	2021	2020	2019
General Fund				
Revenues and other financing sources	$ 760,219,896	$ 802,709,968	$ 749,457,343	$ 754,524,103
Expenditures	747,186,775	758,586,230	737,819,271	746,275,466
Other uses and transfers out	240,711	4,523,947	289,152	618,246
Total outgo	747,427,486	763,110,177	738,108,423	746,893,712
Change in fund balance	$ 12,792,410	$ 39,599,791	$ 11,348,920	$ 7,630,391
Ending fund balance	$ 186,470,542	$ 173,678,132	$ 134,078,341	$ 122,729,421
Available reserves	$ 15,000,000	$ 16,400,000	$ 15,001,000	$ 14,900,000
Designated for economic uncertainties	$ 15,000,000	$ 16,400,000	$ 15,001,000	$ 14,900,000
Undesignated fund balance	$ -	$ -	$ -	$ -
Available reserves as percentages of total outgo	2.01%	2.15%	2.03%	1.99%
All Funds				
Total long-term liabilities	$ 1,282,993,876	$ 1,316,176,074	$ 1,172,565,089	$ 1,153,517,239
Average daily attendance at P-2	60,766	60,769	60,769	60,126

The General Fund fund balance has increased by $58,579,102 over the past three years. The fiscal year 2021-2022 budget, as originally adopted, projects an increase of $12,792,410. 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 2021-2022 fiscal year.

Total long-term liabilities have increased by $162,658,835 over the past three years, as shown in Note 6 to the basic financial statements.

Average daily attendance has increased by 643 over the past three years. For the year ended June 30, 2022 the District anticipates a decrease of 3 ADA.

Charter Schools Chartered by District	Included in District Financial Statements, or Separate Report
0027 – Elk Grove Charter	Included in District Financial Statements
0777 – California Montessori Project – Elk Grove	Separate Report
1949 – Sacramento Academic and Vocational Academy	Separate Report

See accompanying notes to supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FIRST 5 REVENUES AND EXPENDITURES
For the Year Ended June 30, 2021

	First 5/ School Readiness	All Other Programs	Total Child Development Fund
Revenues:			
Federal revenue sources	$ -	$ 3,406,733	$ 3,406,733
State revenue sources	-	1,573,891	1,573,891
Local revenue sources	385,923	12,897	398,820
Total revenues	385,923	4,993,521	5,379,444
Expenditures:			
Current:			
Certificated salaries	103,582	1,970,768	2,074,350
Classified salaries	131,619	1,075,917	1,207,536
Employee benefits	107,816	1,497,725	1,605,541
Books and supplies	31,359	346,162	377,521
Contract services and operating expenditures	16,000	116,284	132,284
Capital Outlay	-	148,264	148,264
Total Expenditures	390,376	5,155,120	5,545,496
Deficiency of revenues under expenditures	(4,453)	(161,599)	(166,052)
Other financing sources (uses):			
Transfers in	4,453	481,542	485,995
Transfers out	-	(206,467)	(206,467)
Total other financing sources (uses):	4,453	275,075	279,528
Net change in fund balances	-	113,476	113,476
Fund balances, July 1, 2020	-	432,088	432,088
Fund balances, June 30, 2021	$ -	$ 545,564	$ 545,564

See accompanying notes to supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Instructional Time: The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District, and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

B - 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.

C - 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.

D - 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 2021-2022 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

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

F - 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, 2021, the District did not adopt this program.

Crowe LLP
Independent Member Crowe Global

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 2020-21 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, 2021.

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

(Continued)

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 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 spend any funds relate to California Clean Energy Jobs Act, therefore we did not perform any procedures related to CA Clean Energy Jobs Act.

The District did not offer an Independent Study - Course Based program in the current year; therefore, we did not perform any procedures related to Independent Study - Course Based.

The District does not offer classroom-based instruction for charter schools; therefore, we did not perform any procedures related to Mode of Instruction 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 *2020-21 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.

Basis for Qualified Opinion on Compliance with State Laws and Regulations

As described in Finding 2021-002 in the accompanying Schedule of Audit Findings and Questioned Costs, Elk Grove Unified School District did not comply with requirements regarding Attendance and Distance Learning. Compliance with such requirements is necessary, in our opinion, for Elk Grove Unified School District to comply with the requirements referred to above.

(Continued)

Qualified Opinion on Compliance with State Laws and Regulations

In our opinion, except for the noncompliance described in Basis for Qualified Opinion paragraph, 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, 2021.

Other Matter

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 auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Sacramento, California
January 27, 2022

Crowe LLP
Independent Member Crowe Global

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, 2021, 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 January 27, 2022.

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 2021-001.

(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

Crowe LLP

Sacramento, California
January 27, 2022

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, 2021.

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, 2021.

(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

Crowe LLP

Sacramento, California
January 27, 2022

Crowe LLP
Independent Member Crowe Global

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

Board of Education
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, 2021. 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 statues, 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, 2021.

(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

Crowe LLP

Sacramento, California
January 27, 2022

FINDINGS AND RECOMMENDATIONS

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:

AL Number(s)	Name of Federal Program or Cluster
84.010	ESEA: Title I, Part A Programs
84.425,84.425C	COVID-19 - Education Stabilization Fund Programs
21.019	COVID-19 - Coronavirus Relief Fund: Learning Loss Mitigation

Dollar threshold used to distinguish between Type A and Type B programs:	$2,858,050	
Auditee qualified as low-risk auditee?	X Yes	____ No

STATE AWARDS

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

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

2021-001 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, 2021, there are approximately 989 employees who exceed the maximum days permitted by policy, by a total of approximately 30,698 excess days, representing an excess vacation accrual of $6,341,803.

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, 2021, the excess vacation accrual is $6,341,803.

Recommendation: This is a repeat finding identified in the 2019-20 Audit Report as Finding 2020-001. The District should enforce the requirements set in the collective bargaining contracts and District policy.

Views of Responsible Officials and Planned Corrective Action: 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.

(Continued)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2021-002 DEFICIENCY – ATTENDANCE AND DISTANCE LEARNING (10000)

Criteria: Absences were reported correctly for site-based or distance learning instruction. Each pupil who did not participate in distance learning on a school day was documented as absent for that school day pursuant to Education Code section 43504(f)(1).

Each pupil had a completed weekly engagement record that documents synchronous or asynchronous instruction for each whole or partial day of distance learning verifying daily participation and tracking assignments pursuant to Education Code section 43504(e). Each pupil that daily participation was documented for each school day which distance learning was provided pursuant to Education Code section 46504(d).

Condition: Twenty-two students were marked as present, however were absent as indicated by notes or logs. Nineteen students sampled in the Attendance and Distance Learning compliance procedures were missing weekly engagement records for one or more of the periods sampled.

Effect: The District is out of compliance with state requirements.

Cause: The District did not accurately reflect absence in attendance system. The District could not locate the weekly engagement record for certain periods for the students sampled.

Fiscal Impact: The error results in an overstatement of revenue by $5,098.

Recommendation: The District should obtain and maintain appropriate attendance records to be in compliance with the state requirements for each pupil attending.

Views of Responsible Officials and Planned Corrective Action: District staff will continue to perform site visits to review attendance documentation and provide training to assist in ensuring attendance compliance with state requirements.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

2020-001 DEFICIENCY – VACATION ACCRUAL (30000)

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.

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

Current Status: Not implemented.

District Explanation if Not Implemented: Repeat Finding. See current year finding 2021-001.