



Financial Statements  
June 30, 2021

# Santa Clara Unified School District

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis .....	4
Government Wide Financial Statements	
Statement of Net Position .....	13
Statement of Activities.....	14
Government Fund Financial Statements	
Balance Sheet – Governmental Funds .....	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	19
Proprietary Fund Financial Statements	
Statement of Net Position – Proprietary Funds.....	21
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds.....	22
Statement of Cash Flows – Proprietary Funds.....	23
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Position .....	24
Statement of Changes in Fiduciary Net Position .....	25
Notes to Financial Statements.....	26
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund .....	64
Schedule of Changes in the District’s Total OPEB Liability and Related Ratios .....	65
Schedule of the District’s Proportionate Share of the Net Pension Liability .....	66
Schedule of the District Contributions.....	67
Notes to Required Supplementary Information .....	68
Supplementary Information	
Schedule of Expenditures of Federal Awards .....	70
Local Education Agency Organization Structure.....	72
Schedule of Instructional Time .....	73
Reconciliation of Unaudited Financial Report with Audited Financial Statements.....	74
Schedule of Financial Trends and Analysis .....	75
Schedule of Charter Schools .....	76
Combining Balance Sheet – Nonmajor Governmental Funds .....	77
Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Nonmajor Governmental Funds.....	78
Notes to Supplementary Information.....	79
Independent Auditor’s Reports	

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 <i>Government Auditing Standards</i> .....	81
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance .....	83
Independent Auditor’s Report on State Compliance.....	85
Schedule of Findings and Questioned Costs	
Summary of Auditor’s Results.....	88
Financial Statement Findings .....	89
Federal Awards Findings and Questioned Costs.....	90
State Awards Findings and Questioned Costs .....	91
Summary Schedule of Prior Audit Findings.....	94



## Independent Auditor's Report

Board of Education  
Santa Clara Unified School District  
Santa Clara, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Santa Clara Unified School District (District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the 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 did not audit the financial statements of the Santa Clara Teacher Housing Foundation, which represent 0.74 percent, 100 percent, 9 percent, and 100 percent, respectively, of the assets, liabilities, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Santa Clara Teacher Housing Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Santa Clara 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 – Change in Accounting Principle**

As discussed in Notes 1 and 14 to the financial statements, Santa Clara Unified School District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the net position and fund balance as of July 1, 2020. 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, budgetary comparison information, schedule of changes in the District's total OPEB liability and related ratios, schedule of the District's proportionate share of the net pension liability, and the schedule of District contributions on pages 4 through 12 and 64 through 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

The combining nonmajor fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information 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 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 combining nonmajor fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated January 31, 2022 on our consideration of the Santa Clara Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Santa Clara 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 the Santa Clara Unified School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Menlo Park, California  
January 31, 2022

This management's discussion and analysis of Santa Clara Unified School District's financial performance provides an overall review of the District's financial activities for the fiscal year ending June 30, 2021. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

### **Financial Highlights**

Key financial highlights for the fiscal year ending June 30, 2021 are as follows:

- Total net position was \$376.7 million which represents an increase of \$45.2 million or 14%.
- Property taxes accounted for \$376.1 million or 83% of total revenues. Program specific revenues in the form of operating grants, State aid, contributions, and charges for services accounted for \$74.5 million or 16% of the total revenues.
- Total expenses were \$409.5 million of which 78% were for direct instructional and pupil services.
- Net capital assets increased \$183 million or 22.5%.

### **Overview of the Financial Statements**

#### **The Financial Statements**

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets) and deferred inflows of resources, as well as all liabilities (including long-term obligations) and deferred inflows of resources. Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, proprietary, and fiduciary.

The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Proprietary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

*Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements* is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Santa Clara Unified School District.

### **Reporting the District as A Whole**

#### **The Statement of Net Position and the Statement of Activities**

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets, deferred inflows of resources, liabilities and deferred inflows of resources of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's Net Position and changes in Net Position. Net Position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's Net Position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The relationship between revenues and expenses is the District's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, the District reports all of its services in the following category:

**Governmental Activities** - This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

**Discretely Presented Component Units** – These are legally separate entities for which the District has financial accountability but function independent of the District. The District's two discretely presented component units are the Santa Clara Teacher Housing Foundation and the Santa Clara Teacher Mortgage Assistance Foundation.

## Reporting the District's Most Significant Funds

### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives.

**Governmental Funds** - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides.

Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

### The District as A Trustee

#### Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for employee retiree benefits. The District's fiduciary activities are reported in the *Statement of Fiduciary Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**The District as A Whole**

**Net Position**

The District's Net Position was \$376.8 million for the fiscal year ended June 30, 2021. Of this amount, \$294.8 million was the Net Investment in Capital Assets, \$134.2 million was Restricted Net Position, and (\$52.2) million was the Unrestricted Net Position, or the residual amount not included in the other two components of net position. Restricted Net Position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use those resources for day-to-day operations. The analysis below summarizes the District's Net Position.

	Governmental Activities (in thousands)		
	2021	2020	Difference
<b>Assets</b>			
Current and other assets	\$ 753,212	\$ 891,773	\$ (138,561)
Capital assets	996,731	813,670	183,061
Total assets	<u>1,749,943</u>	<u>1,705,443</u>	<u>44,500</u>
Deferred outflows of resources	<u>119,581</u>	<u>128,993</u>	<u>(9,412)</u>
<b>Liabilities</b>			
Current liabilities	44,092	37,544	6,548
Long-term liabilities	1,439,341	1,449,877	(10,536)
Total liabilities	<u>1,483,433</u>	<u>1,487,421</u>	<u>(3,988)</u>
Deferred inflows of resources	<u>9,334</u>	<u>15,488</u>	<u>(6,154)</u>
<b>Net Position</b>			
Net investment in capital assets	294,778	266,300	28,478
Restricted	134,150	150,378	(16,228)
Unrestricted	<u>(52,171)</u>	<u>(85,151)</u>	<u>32,980</u>
Total net position, as restated	<u>\$ 376,757</u>	<u>\$ 331,527</u>	<u>\$ 45,230</u>

**Changes in Net Position**

The results of this year's operations for the District as a whole are reported in the *Statement of Activities*. The analysis below shows the changes in Net Position as a result of governmental activities.

	Governmental Activities (in thousands)		
	2021	2020	Difference
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 2,734	\$ 11,947	\$ (9,213)
Operating grants and contributions	59,992	62,337	(2,345)
General revenues			
Federal and State aid not restricted	14,584	15,693	(1,109)
Property taxes	376,123	374,198	1,925
Other general revenues	1,334	15,774	(14,440)
Total revenues	454,767	479,949	(25,182)
<b>Expenses</b>			
Instruction-related	287,250	277,579	9,671
Pupil services	32,156	29,948	2,208
Administration	24,159	20,332	3,827
Plant services	30,374	24,969	5,405
All other services	35,598	46,864	(11,266)
Total expenses	409,537	399,692	9,845
Change in net position	\$ 45,230	\$ 80,257	\$ (35,027)

**Governmental Activities**

As reported in the *Statement of Activities*, the cost of all the District's governmental activities in 2020-2021 was \$409.5 million. The total amount that taxpayers paid for these activities through local taxes was \$359.4 million. The District also collected \$2.7 million in charges for services from those benefiting from the programs. Other governmental agencies and organizations subsidized certain programs with grants and contributions of \$60.0 million. The remaining portion of the District's governmental activities consist of \$32.6 million in unrestricted State and Federal funds, and other local revenue.

The following analysis summarizes the total cost and net cost of each of the District's largest functions: direct instructional services, pupil services, administration, plant services, and all other functions. The net cost shows the actual financial cost paid by the District's taxpayers for each of these functions.

	Total Cost of Services		Net Cost of Services	
	2021	2020	2021	2020
Instruction-related	\$ 287,250	\$ 277,579	\$ (251,926)	\$ (244,637)
Pupil services	32,156	29,949	(13,548)	(22,968)
Administration	24,159	20,332	(21,467)	(18,866)
Plant services	30,374	24,969	(28,126)	(2,302)
All other services	35,598	46,864	(31,744)	(36,636)
<b>Total</b>	<b>\$ 409,537</b>	<b>\$ 399,693</b>	<b>\$ (346,811)</b>	<b>\$ (325,409)</b>

**The District's Funds**

The District's governmental funds had a combined fund balance of \$718.1 million, a decrease of \$149.2 million from the previous year.

Governmental Fund	Balances and Activity			
	June 30, 2020 as restated	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2021
General	\$ 179,133	\$ 338,383	\$ 301,709	\$ 215,807
Student Activity Fund	861	275	398	738
Adult Education	-	4,067	3,605	462
Child Development	713	6,837	7,187	363
Cafeteria	348	9,901	7,399	2,850
Deferred Maintenance	7,064	2,189	56	9,197
Building	551,572	811	200,902	351,481
Capital Facilities	49,108	7,220	1,575	54,753
Outlay Projects	10,402	1,007	666	10,743
Bond Interest and Redemption	68,091	112,487	108,863	71,715
<b>Total</b>	<b>\$ 867,292</b>	<b>\$ 483,177</b>	<b>\$ 632,360</b>	<b>\$ 718,109</b>

The primary reasons for these increases/decreases are:

- The General Fund increased \$36.7 million, of which \$35.2 million can be attributed to property tax increases from on-going secured roll and Redevelopment Agency (RDA) funds, a one-time RDA residual increase resulting from retroactive changes to the tax distribution method, and \$1.5 million to a reduction of transfers to other funds and from operations.
- Child Development Fund incurred a net operating loss of \$3.1 million and the Adult Education program incurred a \$109K unrestricted net operating loss requiring a contributions from the General Fund to support those programs.
- Deferred Maintenance Fund had a net increase of \$2.1 million after receiving a transfer in from the General Fund to support future deferred maintenance projects.
- Building Fund balance decreased by \$200.1 million relating to the completion of the construction projects at Agnew Elementary and Huerta Middle School, and for ongoing construction of Mac Donald High School and other approved bond projects.
- Capital Facilities Fund had a net increase of \$5.6 million as more developer fees were collected than construction site costs not funded with General Obligation bonds were incurred.
- Bond Interest and Redemption Fund balance increased \$3.6 million. This fund is controlled by Santa Clara County to repay the District's bonds and associated debt.

### **General Fund Budgeting Highlights**

The District's budget is prepared according to California Law and is based on the modified accrual basis of accounting. During the course of the 2020-2021 fiscal year, the District reported revisions in its General Fund budget in December based on October 31, 2020 data and in March based on January 31, 2021 data. The General Fund budget includes a 7% General Fund reserve to mitigate risks from property tax fluctuations in addition to the State's required 3% reserve for economic uncertainties. The District has committed \$1 million of the unrestricted fund balance reserve for future technology replacements and has increased the assigned "Equity and Intervention" reserve in the ending unrestricted General Fund balance to \$9.5 million to be used in future years.

**Capital Asset and Long-Term Obligations**

**Capital Assets**

At June 30, 2021, the District had \$996.7 million in capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase of \$183.1 million or 22.5% from the prior year.

	Governmental Activities	
	2021	2020
Land and construction in progress	\$ 463,945	\$ 262,779
Buildings and improvements	524,754	544,335
Equipment	8,033	6,556
Total	\$ 996,732	\$ 813,670
This year's major additions included:		\$ 183,062

More detailed information on our capital assets is at Note 3 to the financial statements.

**Long-Term Liabilities**

At June 30, 2021, the District had \$1,440 million in long-term obligations outstanding versus \$1,452 million in the prior year, a decrease of 0.8%. Those obligations consisted of:

	Governmental Activities	
	2021	2020
Long-Term Liabilities		
General obligation bonds	\$ 1,001,785	\$ 1,043,175
Certificates of participation	13,455	13,570
Unamortized premiums	49,730	55,756
Compensated absences	2,165	1,800
Claims liability	3,979,526	3,988
Total OPEB liability	18,926	17,341
Aggregate net pension liability	350,041	316,042
Total	\$ 5,415,628	\$ 1,451,672

More detailed information on our long term debt is at Note 6 to the financial statements.

### **Economic Factors Impacting the District**

In considering the District's budget for the 2021-2022 year, the governing board and management utilized the following data:

- Secured property taxes are projected to grow 3%; unsecured property taxes are projected to remain unchanged.
- Redevelopment residual funds are projected to increase by 2% and pass-through funds are projected remain unchanged.
- Salary and benefits account for 86% of the General Fund budget and do not include any adjustments for future collective bargaining salary settlements.
- Measures H and BB General Obligation bonds continue to fund bond projects that address critical facility needs, classroom and school site expansion, high priority modernization and need for new schools. The opening of MacDonald High School is scheduled for August 2022.
- The District's 70-unit apartment housing program developed on District-owned property (Teacher Housing Foundation) provides reduced rents to recruit and retained qualified teachers. Construction was financed through Certificates of Participation, and current rents are used to pay interest and principal payments as they come due. The program is currently not lending funds but continues to collect repayments of existing loans.

### **Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Mark Schiel, Chief Business Official, Santa Clara Unified School District, 1889 Lawrence Road, Santa Clara 95051.

Santa Clara Unified School District  
Statement of Net Position  
June 30, 2021

	Primary	Component Units	
	Government	Santa Clara	Santa Clara
	Governmental Activities	Teacher Housing Foundation	Mortgage Assistance Foundation
<b>Assets</b>			
Deposits and investments	\$ 739,942,278	\$ 5,000	\$ 1,125,161
Receivables	12,437,285	-	260,270
Due from other governments	357,866	-	-
Stores inventories	474,356	-	-
Other current assets	-	5,376	-
Noncurrent assets			
Capital assets not depreciated	463,944,560	-	-
Capital assets, net of accumulated depreciation	532,786,621	-	-
Total assets	<u>1,749,942,966</u>	<u>10,376</u>	<u>1,385,431</u>
<b>Deferred Outflows of Resources</b>			
Deferred charge on refunding	11,536,567	-	-
Deferred outflows of resources related to OPEB	4,977,595	-	-
Deferred outflows of resources related to pensions	103,067,142	-	-
Total deferred outflows of resources	<u>119,581,304</u>	<u>-</u>	<u>-</u>
<b>Liabilities</b>			
Accounts payable	18,703,249	31,376	-
Interest payable	19,461,867	-	-
Tenant deposits	-	97,301	-
Unearned revenue	5,186,395	-	-
Noncurrent liabilities			
Compensated absences due within one year	740,479	-	-
Compensated absences due in more than one year	1,424,842	-	-
Claim liabilities due within one year	163,166	-	-
Claim liabilities due in more than one year	3,816,360	-	-
Long-term debt due within one year	48,386,656	-	-
Long-term debt due in more than one year	1,016,583,784	-	-
Total other postemployment benefits liability	18,925,549	-	-
Aggregate net pension liabilities	350,040,543	-	-
Total liabilities	<u>1,483,432,890</u>	<u>128,677</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows of resources related to OPEB	1,571,073	-	-
Deferred inflows of resources related to pensions	7,763,392	-	-
Total deferred inflows of resources	<u>9,334,465</u>	<u>-</u>	<u>-</u>
<b>Net Position</b>			
Net investment in capital assets	294,777,807	-	-
Restricted for			
Debt service	52,253,289	-	-
Capital projects	61,927,339	-	-
Purpose of the grant	12,735,396	-	1,385,431
Self-Insurance	7,234,038	-	-
Unrestricted	(52,170,954)	(118,301)	-
Total net position (deficit)	<u>\$ 376,756,915</u>	<u>\$ (118,301)</u>	<u>\$ 1,385,431</u>

Santa Clara Unified School District  
Statement of Activities  
Year Ended June 30, 2021

Functions/Programs	Expenses	Net (Expense) Revenues and Changes in Net Position				
		Program Revenues		Primary Government	Component units	
		Changes for Services and Sales	Operating Grants and Contributions	Governmental Activities Total	Teacher Housing Foundation	Mortgage Assistance Foundation
<b>Primary government</b>						
Governmental Activities						
Instruction	\$ 232,823,915	\$ 103,276	\$ 28,918,811	\$ (203,801,828)	\$ -	\$ -
Instruction-related activities						
Supervision of instruction	21,548,398	8,187	2,949,673	(18,590,538)	-	-
Instructional library, media, and technology	2,966,319	2	108,395	(2,857,922)	-	-
School site administration	29,911,066	13,840	3,221,350	(26,675,876)	-	-
Pupil services						
Home-to-school transportation	6,974,702	39,474	7,926,948	991,720	-	-
Food services	8,270,812	104,755	9,431,896	1,265,839	-	-
All other pupil services	16,910,772	-	1,105,648	(15,805,124)	-	-
Administration						
Data processing	9,379,617	120,868	1,824,152	(7,434,597)	-	-
All other administration	14,779,051	13,051	733,260	(14,032,740)	-	-
Plant services	30,374,236	290,783	1,957,584	(28,125,869)	-	-
Ancillary services	423,032	4,400	26,821	(391,811)	-	-
Community services	272,786	5,996	-	(266,790)	-	-
Enterprise services	-	-	-	-	-	-
Interest on long-term debt	34,390,468	-	-	(34,390,468)	-	-
Other outgo	511,710	2,029,842	1,787,260	3,305,392	-	-
Total primary government	<u>\$ 409,536,884</u>	<u>\$ 2,734,474</u>	<u>\$ 59,991,798</u>	<u>(346,810,612)</u>		
<b>Component units</b>						
Santa Clara Teacher Housing Foundation	\$ 1,476,345	\$ 1,453,592	\$ -		(22,753)	-
Santa Clara Mortgage Assistance Foundation	50	250	-		-	(200)
Total component units	<u>\$ 1,476,395</u>	<u>\$ 1,453,842</u>	<u>\$ -</u>		<u>\$ (22,753)</u>	<u>\$ (200)</u>
<b>General Revenues and Subventions</b>						
Property taxes, levied for general purposes				\$ 275,292,169	-	-
Property taxes, levied for debt service				84,128,838	-	-
Taxes levied for other specific purposes				16,701,974	-	-
Federal and State aid not restricted to specific purposes				14,583,974	-	-
Interest and investment earnings				653,089	-	-
Miscellaneous				681,186	588	-
Total, general revenues				<u>392,041,230</u>	<u>588</u>	<u>-</u>
Change in Net Position				45,230,618	(22,165)	(200)
Net Position (deficit) - Beginning, as restated				<u>331,526,297</u>	<u>(96,136)</u>	<u>1,385,631</u>
Net Position (deficit) - Ending				<u>\$ 376,756,915</u>	<u>\$ (118,301)</u>	<u>\$ 1,385,431</u>

Santa Clara Unified School District  
Balance Sheet – Governmental Funds  
June 30, 2021

	General Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Deposits and investments	\$ 218,275,311	\$ 360,555,300	\$ 71,594,361	\$ 78,320,283	\$ 728,745,255
Accounts receivables	6,280,459	1,891,541	120,795	809,045	9,101,840
State apportionment receivables	3,309,026	-	-	-	3,309,026
Due from other funds	2,388,080	56,780	-	3,628,806	6,073,666
Due from other governments	357,866	-	-	-	357,866
Stores inventories	196,941	-	-	277,415	474,356
<b>Total assets</b>	<b>\$ 230,807,683</b>	<b>\$ 362,503,621</b>	<b>\$ 71,715,156</b>	<b>\$ 83,035,549</b>	<b>\$ 748,062,009</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 7,046,555	\$ 11,009,418	\$ -	\$ 647,276	\$ 18,703,249
Due to other funds	3,629,484	13,704	-	2,431,156	6,074,344
Unearned revenue	4,324,102	-	-	851,737	5,175,839
<b>Total liabilities</b>	<b>15,000,141</b>	<b>11,023,122</b>	<b>-</b>	<b>3,930,169</b>	<b>29,953,432</b>
<b>Fund Balances</b>					
Nonspendable	236,941	-	-	277,415	514,356
Restricted	8,322,308	351,480,499	71,715,156	66,063,012	497,580,975
Committed	1,000,000	-	-	-	1,000,000
Assigned	29,217,890	-	-	12,764,953	41,982,843
Unassigned	177,030,403	-	-	-	177,030,403
<b>Total fund balances</b>	<b>215,807,542</b>	<b>351,480,499</b>	<b>71,715,156</b>	<b>79,105,380</b>	<b>718,108,577</b>
<b>Total liabilities and fund balances</b>	<b>\$ 230,807,683</b>	<b>\$ 362,503,621</b>	<b>\$ 71,715,156</b>	<b>\$ 83,035,549</b>	<b>\$ 748,062,009</b>

Santa Clara Unified School District  
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
 June 30, 2021

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Total Fund Balance - Governmental Funds \$ 718,108,577

Amounts Reported for Governmental Activities in the  
 Statement of Net Position are Different Because

Capital assets used in governmental activities are not financial  
 resources and, therefore, are not reported as assets in  
 governmental funds.

The cost of capital assets is	\$ 1,198,694,434
Accumulated depreciation is	<u>(201,963,253)</u>

Net capital assets	996,731,181
--------------------	-------------

In governmental funds, unmatured interest on long-term  
 liabilities is recognized in the period when it is due. On the  
 government-wide financial statements, unmatured interest on  
 long-term liabilities is recognized when it is incurred. (19,461,867)

An internal service fund is used by management to charge the costs  
 of the workers' compensation insurance program to the individual  
 funds. The assets and liabilities of the internal service fund are  
 included with governmental activities. 7,234,038

Deferred outflows of resources represent a consumption of net  
 position in a future period and is not reported in the governmental  
 funds. Deferred outflows of resources amounted to and related to

Debt refundings (deferred charge on refunding)	11,536,567
Other postemployment benefits (OPEB)	4,977,595
Net pension liability	<u>103,067,142</u>

Total deferred outflows of resources	119,581,304
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Deferred inflows of resources represent an acquisition of net position  
 that applies to a future period and is not reported in the governmental  
 funds. Deferred inflows of resources amount to and related to

Other postemployment benefits (OPEB)	(1,571,073)
Net pension liability	<u>(7,763,392)</u>

Total deferred inflows of resources	(9,334,465)
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Net pension liability is not due and payable in the current period,  
 and is not reported as a liability in the funds. (350,040,543)

Santa Clara Unified School District  
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2021

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The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.	(18,925,549)
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 year-end consist of	
General obligation bonds, including premium	\$ (1,051,515,440)
Certificates of participation	(13,455,000)
Compensated absences (vacations)	(2,165,321)
Total long-term liabilities	<u>(1,067,135,761)</u>
Total net position - governmental activities	<u>\$ 376,756,915</u>

Santa Clara Unified School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2021

	General Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Local Control Funding Formula	\$ 271,697,214	\$ -	\$ -	\$ -	\$ 271,697,214
Federal sources	15,706,345	-	1,587,773	8,852,530	26,146,648
Other State sources	26,306,225	-	129,670	6,494,862	32,930,757
Local sources	24,673,464	811,126	84,128,838	11,198,603	120,812,031
<b>Total revenues</b>	<b>338,383,248</b>	<b>811,126</b>	<b>85,846,281</b>	<b>26,545,995</b>	<b>451,586,650</b>
<b>Expenditures</b>					
<b>Current</b>					
Instruction	185,445,067	-	-	7,019,496	192,464,563
Instruction-related activities					
Supervision of instruction	16,982,551	-	-	670,038	17,652,589
Instructional library, media, and technology	2,479,207	-	-	-	2,479,207
School site administration	22,785,065	-	-	1,988,486	24,773,551
Pupil services					
Home-to-school transportation	6,233,780	-	-	-	6,233,780
Food services	139,938	-	-	7,233,968	7,373,906
All other pupil services	13,834,818	-	-	57,917	13,892,735
Administration					
Data processing	8,478,345	-	-	-	8,478,345
All other administration	11,877,478	-	-	740,230	12,617,708
Plant services	26,592,142	-	-	750,756	27,342,898
Ancillary services	-	-	-	397,560	397,560
Community services	256,128	-	-	-	256,128
Other outgo	511,710	-	-	-	511,710
Capital outlay	1,143,095	200,902,908	-	1,418,738	203,464,741
Debt service					
Principal	-	-	42,835,000	115,000	42,950,000
Interest	-	-	39,532,712	493,338	40,026,050
<b>Total expenditures</b>	<b>296,759,324</b>	<b>200,902,908</b>	<b>82,367,712</b>	<b>20,885,527</b>	<b>600,915,471</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>41,623,924</b>	<b>(200,091,782)</b>	<b>3,478,569</b>	<b>5,660,468</b>	<b>(149,328,821)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	4,949,728	4,949,728
Proceeds from sale of bonds	-	-	26,640,000	-	26,640,000
Transfers out	(4,949,728)	-	-	-	(4,949,728)
Payments to escrow agent	-	-	(26,494,811)	-	(26,494,811)
<b>Net Change in Fund Balances</b>	<b>36,674,196</b>	<b>(200,091,782)</b>	<b>3,623,758</b>	<b>10,610,196</b>	<b>(149,183,632)</b>
Fund Balance - Beginning, as restated	179,133,346	551,572,281	68,091,398	68,495,184	867,292,209
<b>Fund Balance - Ending</b>	<b>\$ 215,807,542</b>	<b>\$ 351,480,499</b>	<b>\$ 71,715,156</b>	<b>\$ 79,105,380</b>	<b>\$ 718,108,577</b>

Santa Clara Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental  
Funds to the Statement of Activities  
Year Ended June 30, 2021

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Total Net Change in Fund Balances - Governmental Funds \$(149,183,632)

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense	\$ (21,316,574)
Capital outlays	<u>204,388,779</u>

Net expense adjustment 183,072,205

Loss (Gain) on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds. (11,416)

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used. (364,664)

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year. (35,714,490)

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year. (1,105,306)

Santa Clara Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental  
Funds to the Statement of Activities  
Year Ended June 30, 2021

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<p>Proceeds received from General obligation bonds is a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.</p>	(26,640,000)
<p>Governmental funds report the effect of premiums, discounts, and the deferred charge on refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.</p>	
Deferred charge on refunding recognized	(1,500,785)
Premium amortization	6,025,430
Deferred charge on refunding amortization	(520,398)
<p>Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.</p>	
General obligation bonds	68,030,000
Certificates of participation	115,000
<p>Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due.</p>	2,931,146
<p>An internal service fund is used by management to charge the costs of the self insurance program to the individual funds. The net revenue of the Internal Service Fund is reported with governmental activities.</p>	97,528
Change in net position of governmental activities	<u>\$ 45,230,618</u>

Santa Clara Unified School District  
Statement of Net Position – Proprietary Funds  
June 30, 2021

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	<u>Governmental Activities - Internal Service Fund</u>
Assets	
Current assets	
Deposits and investments	\$ 11,197,023
Receivables	26,419
Due from other funds	<u>678</u>
Total assets	<u>11,224,120</u>
Liabilities	
Current liabilities	
Unearned revenue	10,556
Current portion of claims liabilities	<u>163,166</u>
Total current liabilities	<u>173,722</u>
Noncurrent liabilities	
Claims liabilities less the current portion	<u>3,816,360</u>
Total liabilities	<u>3,990,082</u>
Net Position	
Total, restricted for insurance programs	<u>\$ 7,234,038</u>
Total net position	<u>\$ 7,234,038</u>

Santa Clara Unified School District  
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds  
Year Ended June 30, 2021

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	<u>Governmental Activities - Internal Service Fund</u>
Operating Revenues	
In-District premiums	<u>\$ 3,151,303</u>
Operating Expenses	
Salaries and benefits	46,956
Purchased insurance	<u>3,030,175</u>
Total operating expenses	<u>3,077,131</u>
Operating Income	<u>74,172</u>
Nonoperating Revenues (Expenses)	
Fair market value adjustments	(92,906)
Interest income	<u>116,262</u>
Change in Net Position	97,528
Total Net Position - Beginning	<u>7,136,510</u>
Total Net Position - Ending	<u><u>\$ 7,234,038</u></u>

Santa Clara Unified School District  
Statement of Cash Flows – Proprietary Funds  
Year Ended June 30, 2021

	Governmental Activities - Internal Service Fund
Operating Activities	
Cash receipts from in-district premiums	\$ 3,165,087
Cash payments to insurance providers	(3,039,364)
Cash payments to employees for services	(46,956)
	78,767
Net Cash From Used for Operating Activities	
Investing Activities	
Interest on investments	23,356
	23,356
Net Change in Cash and Cash Equivalents	102,123
Cash and Cash Equivalents, Beginning	11,094,900
Cash and Cash Equivalents, Ending	\$ 11,197,023
Reconciliation of Operating Income to Net cash used for operating activities	
Operating income	\$ 74,172
Changes in assets and liabilities	
Receivables	12,798
Due from other fund	1,609
Due to other fund	(337)
Unearned revenue	(623)
Claim liabilities	(8,852)
	(8,852)
Net Cash From Operating Activities	\$ 78,767

Santa Clara Unified School District  
Statement of Fiduciary Net Position  
June 30, 2021

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	<u>Custodial Fund</u>
Assets	
Deposits and investments	<u>\$ 319,079</u>
Net Position	
Restricted for scholarships	<u>\$ 319,079</u>

Santa Clara Unified School District  
Statement of Changes in Fiduciary Net Position  
Year Ended June 30, 2021

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	<u>Custodial Fund</u>
Additions	
Interest	<u>\$          301</u>
Deductions	
Contract services and operating expenses	<u>117,991</u>
Net increase (decrease) in fiduciary net position	(117,690)
Net Position - Beginning	<u>436,769</u>
Net Position - Ending	<u><u>\$      319,079</u></u>

## **Note 1 - Summary of Significant Accounting Policies**

### **Financial Reporting Entity**

The Santa Clara Unified School District (the District) was unified on 1966 under the laws of the State of California. The District operates under a locally elected seven-member Board form of government and provides educational services to grades K-12 as mandated by the State agencies. The District operates seventeen elementary schools, three middle schools, one K-8 school, two comprehensive high schools, an alternative high school, a continuation high school, an adult school, and an independent study program.

A reporting entity is comprised of the primary government, and discretely presented component units that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

### **Component Units**

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The following component units, although legally separate tax-exempt entities, are reported in the financial statements using the discrete presentation method as the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the District:

**Santa Clara Teacher Housing Foundation (SCTHF)** - A non-profit organization formed in accordance with IRS Code Section 501(c)(3), SCTHF meets the criteria of the governing board's ability to significantly influence operations and accountability for fiscal matters and the criteria for inclusion in the District's reporting entity. Its purpose is to provide and operate apartment-style housing for teachers who are currently employed by the District. The financial activity of SCTHF is reported as a separate discretely presented component unit. Individually prepared financial statements can be obtained from the District.

**Santa Clara Teacher Mortgage Assistance Foundation (SCTMAF)** -A non-profit organization formed in accordance with IRS Code Section 501(c)(3), SCTMAF also meets the criteria of the governing board's ability to significantly influence operations and accountability for fiscal matters and the criteria for inclusion in the District's reporting entity. Its purpose is to grant down-payment loans to teachers who are currently employed by the District and which to purchase a home. The financial activity of SCTMAF is reported as a separate discretely presented component unit. Individually prepared financial statements are not prepared for SCTMAF.

### **Basis of Presentation - Fund Accounting**

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

#### **Major Governmental Funds**

**General Fund** The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

Two funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements.

**Building Fund** The Building Fund exists primarily to account separately for proceeds from the sale of bonds (Education Code Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

**Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a local educational agency (Education Code Sections 15125-15262).

### Nonmajor Governmental Funds

**Special Revenue Funds** The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

- **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.
- **Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.
- **Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.
- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (Education Code Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (Education Code Sections 38091 and 38100).
- **Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (Education Code Section 17582).

**Capital Project Funds** The Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (Education Code Sections 17620-17626 and Government Code Section 65995 et seq.). Expenditures are restricted to the purposes specified in Government Code Sections 65970-65981 or to the items specified in agreements with the developer (Government Code Section 66006).
- **Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (Education Code Section 42840).

Additionally, the District report the following fund types:

*Internal service funds* account for risk management services provided to other departments of the District on a cost-reimbursement basis. The District's self-insurance fund administers the self-insured dental and vision program. The fund also accounts for residual activities of the District's former self-insured workers' compensation program.

*Custodial funds* account for monies held under trust agreements with individuals and private organizations to which the District may award scholarships.

### **Basis of Accounting - Measurement Focus**

**Government-Wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, of the District and for each governmental function and exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position is reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their use.

**Fund Financial Statements** Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.
- **Proprietary Funds** Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.
- **Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

### **Revenues – Exchange and Non-Exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

### **Unearned Revenue**

Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

### **Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred. Principal and interest on long-term liabilities, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

### **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

### **Investments**

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

### **Stores Inventories**

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental funds at the time items are transferred from the warehouse to the schools and offices.

### **Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$10,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

### **Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental column of the statement of net position, except for the net residual amounts due between governmental activities, which are presented as internal balances.

### **Loans Receivable**

Loans receivable of the Santa Clara Teacher Mortgage Assistance Foundation discreetly presented component unit are recoded at the amount the Foundation expects to collect on balances outstanding at year-end. Repayment on the loan balance begins after five years and is considered in default after 24 years. The Foundation considers an allowance for doubtful accounts based on known circumstances and history of uncollectible loans. The Foundation considers loans to be fully collectible for up to one year after termination of employment from the District. The Foundation considers all loans to be fully collectible at year end.

### **Compensated Absences**

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District’s financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Due in One Year
\$ 1,800,657	\$ 714,618	\$ (349,954)	\$ 2,165,321	\$ 740,479

**Accrued Liabilities and Long-Term Liabilities**

All payables, accrued liabilities, and long-term liabilities are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full, from current financial resources are reported as liabilities of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term liabilities are recognized as liabilities in the governmental fund financial statements when due.

**Debt Issuance Costs, Premiums and Discounts**

In the government-wide financial statements and in the proprietary fund type financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities or proprietary fund statement of net position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the period the bonds are issued. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the period the bonds are issued.

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items. The deferred charge on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate to differences between expected and actual earnings on investments, changes of assumptions, and other pension and OPEB related changes. In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items.

### **Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

### **Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and additions to/deductions from the District Plan's fiduciary net position have been determined on the same basis as they are reported by the District Plan. For this purpose, the District Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

### **Fund Balances - Governmental Funds**

Fund balances of the governmental funds are classified as follows:

**Nonspendable** - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted** - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

**Assigned** - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

**Unassigned** - all other spendable amounts.

### **Spending Order Policy**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

### **Minimum Fund Balance Policy**

The State of California requires all school district's with average daily attendance of 1,001 to 30,000 to maintain an unrestricted general fund reserve for economic uncertainty of not less than three percent of total general fund expenditures and other uses.

### **Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

### **Interfund Activity**

Transfers between governmental activities in the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities' columns of the Statement of Activities, except for the net residual amounts transferred between governmental activities.

### **Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### **Property Tax**

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Santa Clara bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

### **Change in Accounting Principles**

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The provisions of this Statement were implemented as of July 1, 2021.

**Note 2 - Deposits and Investments**

Deposits and investments as of June 30, 2021, are classified as follows:

Governmental funds	\$ 728,745,255
Proprietary funds	11,197,023
Fiduciary funds	<u>319,079</u>
Total, primary government	740,261,357
Discretely presented component units	<u>1,130,161</u>
Total deposits and investments	<u><u>\$ 741,391,518</u></u>

Deposits and investments as of June 30, 2021, consist of the following:

Cash on hand and deposits with financial institutions	\$ 5,907,016
Investments in the Santa Clara County Investment Pool	<u>735,484,502</u>
Total deposits and investments	<u><u>\$ 741,391,518</u></u>

**Policies and Practices**

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting 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. The pool is not registered with Stock Exchange Commission.

**General Authorizations**

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool. The fair value of the investment with the County Treasurer at June 30, 2021 was \$735,479,502 and the weighted average maturity of the pool was 615 days.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the County Pool are not required to be rated, nor they have been rated as of June 30, 2021.

**Custodial Credit Risk – Deposits**

This is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. As of June 30, 2021, \$875,161 of the Santa Clara Teacher Mortgage Assistance Foundation Component Unit’s deposits with financial institutions were exposed to custodial credit risk because they were collateralized, but not in the name of the District.

**Note 3 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 52,058,686	\$ -	\$ -	\$ 52,058,686
Construction in progress	210,720,095	201,789,471	(623,692)	411,885,874
Total capital assets not being depreciated	<u>262,778,781</u>	<u>201,789,471</u>	<u>(623,692)</u>	<u>463,944,560</u>
Capital assets being depreciated				
Land improvements	995,238	-	-	995,238
Buildings and improvements	710,843,898	623,692	-	711,467,590
Furniture and equipment	18,461,685	2,599,308	(120,000)	20,940,993
Total capital assets being depreciated	<u>730,300,821</u>	<u>3,223,000</u>	<u>(120,000)</u>	<u>733,403,821</u>
Total capital assets	<u>993,079,602</u>	<u>205,012,471</u>	<u>(743,692)</u>	<u>1,197,348,381</u>
Accumulated depreciation				
Land improvements	(570,007)	(28,435)	-	(598,442)
Buildings and improvements	(166,933,742)	(20,177,072)	-	(187,110,814)
Furniture and equipment	(11,905,461)	(1,111,067)	108,584	(12,907,944)
Total accumulated depreciation	<u>(179,409,210)</u>	<u>(21,316,574)</u>	<u>108,584</u>	<u>(200,617,200)</u>
Governmental activities capital assets, net	<u>\$ 813,670,392</u>	<u>\$ 183,695,897</u>	<u>\$ (635,108)</u>	<u>\$ 996,731,181</u>

Depreciation expense was charged as a direct expense to governmental and business-type functions as follows:

Governmental Activities	
Instruction	\$ 13,247,593
Supervision of instruction	1,226,096
Instructional library, media, and technology	168,782
School site administration	1,701,928
Home-to-school transportation	396,858
Food services	470,606
All other pupil services	962,217
Data processing	533,697
All other administration	880,513
Plant services	<u>1,728,284</u>
Total depreciation expenses governmental activities	<u><u>\$ 21,316,574</u></u>

**Note 4 - Interfund Transactions**

**Interfund Receivables and Payables**

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2021, between major and non-major governmental funds, non-major enterprise funds, internal service funds, and fiduciary funds are as follows:

Due To	Due From				Total
	General Fund	Building Fund	Nonmajor Governmental Funds	Proprietary Funds	
General Fund	\$ -	\$ -	\$ 3,628,806	\$ 678	\$ 3,629,484
Building Fund	13,704	-	-	-	13,704
Nonmajor Governmental Funds	2,374,376	56,780	-	-	2,431,156
Total	\$ 2,388,080	\$ 56,780	\$ 3,628,806	\$ 678	\$ 6,074,344

All balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**Operating Transfers**

Interfund transfers for the year ended June 30, 2021, consisted of the following:

Transfer To	Transfer From	
	General Fund	Total
Nonmajor Governmental Funds	<u>\$ 4,949,728</u>	<u>\$ 4,949,728</u>
Transfer to the Adult Education Fund from General Fund to support operating deficit.		\$ 109,286
Transfer to Child Development from General Fund to support operating deficit.		2,792,280
Transfer unspent General Fund RRM funds to Deferred Maintenance Fund.		2,048,065
Forgive outstanding Cafeteria Fund student debt.		<u>97</u>
Total		<u>\$ 4,949,728</u>

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Note 5 - Unearned Revenue**

Unearned revenue at June 30, 2021, consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total	Proprietary Funds
Federal financial assistance	\$ 239,192	\$ -	\$ 239,192	\$ -
State categorical aid	3,255,905	713,211	3,969,116	-
Other local	829,005	138,526	967,531	10,556
Total	<u>\$ 4,324,102</u>	<u>\$ 851,737</u>	<u>\$ 5,175,839</u>	<u>\$ 10,556</u>

**Note 6 - Long-Term Debt**

**Summary**

The changes in the District's long-term debt during the year consisted of the following:

	Balance July 1, 2020	Additions	Deductions	Defeasance	Balance June 30, 2021	Due in One Year
General obligation bonds	\$ 1,043,175,000	\$ 26,640,000	\$ (42,835,000)	\$ (25,195,000)	\$ 1,001,785,000	\$ 45,435,000
Certificates of participation	13,570,000	-	(115,000)	-	13,455,000	130,000
Unamortized debt premiums	55,755,870	-	(2,571,455)	(3,453,975)	49,730,440	2,658,490
<b>Total</b>	<b>\$ 1,112,500,870</b>	<b>\$ 26,640,000</b>	<b>\$ (45,521,455)</b>	<b>\$ (28,648,975)</b>	<b>\$ 1,064,970,440</b>	<b>\$ 48,386,656</b>

The Bond Interest and Redemption Fund makes payments on the general obligation bonds with local property tax revenues. The Special Reserve Fund for Capital Outlay Projects Fund makes payments for the Certificates of Participation.

**General Obligation Bonds**

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds			Bonds	
				Outstanding July 1, 2020	Issued	Redeemed	Defeased	Outstanding June 30, 2021
6/9/2011	2036	3.0-5.0%	\$ 81,100,000	\$ 2,220,000	\$ -	\$ (2,220,000)	\$ -	\$ -
6/9/2011	2027	4.15-5.30%	25,000,000	25,000,000	-	(2,500,000)	-	22,500,000
8/1/2012	2031	1.0-5.0%	45,520,000	32,525,000	-	(2,320,000)	(25,195,000)	5,010,000
6/2/2015	2041	3.0-5.0%	140,700,000	109,395,000	-	-	-	109,395,000
6/2/2015	2034	3.0-5.5%	96,380,000	86,760,000	-	(3,105,000)	-	83,655,000
11/14/17	2042	3.125-5.0%	232,300,000	200,575,000	-	-	-	200,575,000
11/14/17	2036	3.0-5.0%	156,535,000	150,290,000	-	(3,035,000)	-	147,255,000
5/22/18	2025	5.0%	15,690,000	13,810,000	-	(2,015,000)	-	11,795,000
4/11/19	2043	3.0-5.0%	46,000,000	46,000,000	-	(7,900,000)	-	38,100,000
4/11/19	2049	3.0-5.0%	360,000,000	360,000,000	-	(18,000,000)	-	342,000,000
4/11/19	2028	4.0-5.0%	16,600,000	16,600,000	-	(1,740,000)	-	14,860,000
2/24/21	2023	0.16-0.21%	26,640,000	-	26,640,000	-	-	26,640,000
				<u>\$ 1,043,175,000</u>	<u>\$ 26,640,000</u>	<u>\$ (42,835,000)</u>	<u>\$ (25,195,000)</u>	<u>\$ 1,001,785,000</u>

**Debt Service Requirements to Maturity**

The bonds mature through 2051 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2022	\$ 45,435,000	\$ 37,351,338	\$ 82,786,338
2023	49,840,000	35,574,823	85,414,823
2024	25,290,000	33,472,869	58,762,869
2025	24,180,000	32,312,981	56,492,981
2026	26,015,000	31,062,131	57,077,131
2027-2031	164,265,000	134,085,641	298,350,641
2032-2036	239,320,000	96,153,188	335,473,188
2037-2041	202,755,000	58,019,338	260,774,338
2042-2046	150,370,000	25,738,281	176,108,281
2047-2051	74,315,000	4,622,500	78,937,500
<b>Total</b>	<b><u>\$1,001,785,000</u></b>	<b><u>\$ 488,393,090</u></b>	<b><u>\$ 1,490,178,090</u></b>

**Debt Refunding**

On February 24, 2021 the District issued \$26,640,000 million in general obligation bonds with an interest rate range of 0.16 percent to 0.21 percent to advance refund outstanding 2012 refunding bonds maturing July 1, 2023 through July 1, 2030 with an interest rate range of 1.00 percent to 5.00 percent. The net proceeds of \$26,494,811 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded portion of the 2012 refunding bonds are considered to be defeased and the liability for the defeased bonds is not reported on the statement of net position.

The advance refunding resulted in a difference between the reacquisition price of the new debt and the net carrying amount of the old debt for \$145,000. The advance refunding decreases the total debt service payments, inclusive of principal and interest, over the next 10 years by \$5.2 million and results in an economic gain (difference between the present values of the old and new debt service payments) of \$1.8 million.

**Certificates of Participation**

In January 2013, the District issued 2013 Refunding Certificates of Participation (2013 COPs) in the amount of \$8,025,000 through the California School Boards Association Finance Corporation at interest rates ranging from 3.0 to 4.1 percent and matures on August 1, 2024. The proceeds from the 2013 COPs were used to current-refund the outstanding balance of the 2001 Certificates of Participation.

In October 2015, the District issued 2015 Refunding Certificates of Participation (2015 COPs) in the amount of \$5,810,000 through the California School Boards Association Finance Corporation at interest rates ranging from 2.0 to 3.5 percent and matures on August 1, 2036. The proceeds from the 2015 COPs were used to refund, on a current basis, the outstanding balance of the District's 2006 Certificates of Participation.

The certificates mature through 2037 as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 130,000	\$ 490,888	\$ 620,888
2023	140,000	488,188	628,188
2024	140,000	485,388	625,388
2025	140,000	482,588	622,588
2026	135,000	479,669	614,669
2027-2031	670,000	2,340,200	3,010,200
2032-2036	11,310,000	620,900	11,930,900
2037	790,000	13,825	803,825
<b>Total</b>	<b>\$ 13,455,000</b>	<b>\$ 5,401,644</b>	<b>\$ 18,856,644</b>

**Note 7 - Total Other Postemployment Benefit (OPEB) Liability**

As of June 30, 2021, the District reported the following amounts for total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense:

Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
<u>\$ 18,925,549</u>	<u>\$ 4,977,595</u>	<u>\$ 1,571,073</u>	<u>\$ 2,092,157</u>

**General information about the OPEB Plan**

**Plan Description**

The District’s governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No.75.

**Employees Covered by Benefit Terms**

At the June 30, 2020 measurement date, the benefit terms covered the following employees:

Inactive employees or beneficiaries currently receiving benefits payments	214
Active employees	1,852
	2,066
Total	2,066

**Benefits Provided**

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District’s governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

**Contributions**

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Teacher Education Association (TEA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, TEA, CSEA, and the unrepresented groups. For the year ended June 30, 2021, the District contributed \$986,851, all of which was used for current benefits.

**Total OPEB Liability**

The District’s total OPEB liability was measured as of June 30, 2020 and the valuation used to calculate the total OPEB liability was determined by an actuarial valuation as of the same date.

**Actuarial Assumptions**

The total OPEB liability was calculated using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	3.00 percent, average, including inflation
Investment rate of return	2.21 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	5.00 percent for 2020

Mortality rates were based on the 2017 CalPERS valuation, projected to future years using the ultimate rates from projection scale MP-2020. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reeducation. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions were based on the results of 2014 CalPERS OPEB Assumptions Model for non-certificated employees and from the 2016 valuation of CalSTRS for certificated employees.

The discount rate of 2.21% was based on the Bond Buyer 20-bond General Obligation Index. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates.

**Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance, June 30, 2020	\$ 17,340,798
Service cost	1,261,913
Interest	589,074
Differences between expected and actual experience	1,501,680
Changes in assumptions	(747,684)
Benefit payments	(1,020,232)
Net change in total OPEB liability	1,584,751
Balance, June 30, 2021	\$ 18,925,549

Changes of assumptions and other inputs reflect a change in the discount rate from 3.50% in the prior valuation to 2.21% in the current valuation. There were no changes between the 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 percent lower or higher than the current rate:

Discount Rate	Total OPEB Liability
1% decrease (3.21%)	\$ 17,310,461
Current discount rate (2.21%)	18,925,549
1% increase (1.21%)	20,720,293

**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 percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (6.0%)	\$ 21,264,925
Current healthcare cost trend rate (5.0%)	18,925,549
1% increase (4.0%)	16,929,461

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$2,092,157. At June 30, 2021, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 986,851	\$ -
Differences between expected and actual experience	3,533,586	-
Changes of assumptions	457,158	1,571,073
Total	\$ 4,977,595	\$ 1,571,073

The District reported deferred outflows of resources for the amount paid by the District for OPEB as the benefits come due subsequent to measurement date of \$986,851, which will be recognized as a reduction of the total OPEB liability during the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	OPEB Expense
2022	\$ 230,116
2023	230,116
2024	230,116
2025	230,116
2026	230,116
Thereafter	1,269,091
Total	\$ 2,419,671

**Note 8 - Fund Balances**

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total
<b>Nonspendable</b>					
Revolving cash	\$ 40,000	\$ -	\$ -	\$ -	\$ 40,000
Stores inventories	196,941	-	-	277,415	474,356
Total nonspendable	<u>236,941</u>	<u>-</u>	<u>-</u>	<u>277,415</u>	<u>514,356</u>
<b>Restricted</b>					
Purpose of the grant	8,322,308	-	-	825,735	9,148,043
Food service	-	-	-	2,571,782	2,571,782
Deferred maintenance	-	-	-	7,175,322	7,175,322
Capital projects	-	351,480,499	-	54,752,017	406,232,516
Debt services	-	-	71,715,156	-	71,715,156
Student activity	-	-	-	738,156	738,156
Total restricted	<u>8,322,308</u>	<u>351,480,499</u>	<u>71,715,156</u>	<u>66,063,012</u>	<u>497,580,975</u>
<b>Committed</b>					
Technology replacement	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
<b>Assigned</b>					
Other postemployment benefits	17,906,644	-	-	-	17,906,644
Equity and intervention reserve	9,500,000	-	-	-	9,500,000
Sites and department carryover	1,661,246	-	-	-	1,661,246
Agnew & Huerta	150,000	-	-	-	150,000
Deferred maintenance	-	-	-	2,021,897	2,021,897
Capital Projects	-	-	-	10,743,056	10,743,056
Total assigned	<u>29,217,890</u>	<u>-</u>	<u>-</u>	<u>12,764,953</u>	<u>41,982,843</u>
<b>Unassigned</b>					
Reserve for economic uncertainties	124,976,578	-	-	-	124,976,578
Remaining unassigned	52,053,825	-	-	-	52,053,825
Total unassigned	<u>177,030,403</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>177,030,403</u>
Total	<u>\$ 215,807,542</u>	<u>\$ 351,480,499</u>	<u>\$ 71,715,156</u>	<u>\$ 79,105,380</u>	<u>\$ 718,108,577</u>

**Note 9 - Risk Management**

The District’s risk management activities are recorded in the self-insurance fund. Employee life, health, and disability programs are administered through the purchase of commercial insurance. Employee dental and vision insurance is provided on a self-funded basis. The District takes part in joint powers authorities with other entities for property and liability and for workers' compensation claims risk pooling. Through June 30, 2017, the District was self-insured for workers' compensation claims. Residual activity related to the District’s former self-insured workers’ compensation program are recorded in the self-insurance fund. For insured programs, there have been no significant reductions in insurance coverage to date. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The following is a summary of coverage provided for workers' compensation and property and liability, as of June 30, 2021:

Insurance Program	Type of Coverage	Limits
Santa Clara USD Self-Insurance Program	Workers’ Compensation	Statutory Limits
Schools Alliance for Workers' Compensation Excess	Excess Workers’ Compensation	\$1,000,000
South Bay Area Schools Insurance Authority	Property and Liability	\$700,000

The District records an estimated liability for indemnity torts and other claims against the District. Claims liabilities for workers’ compensation are based on an actuarial study using the “expected value” as the basis for the total liability. The workers' compensation liabilities are reported at their present value using an expected future investment yield assumption of two percent. The following represents the changes in approximate aggregate liabilities for the District from July 1, 2018 to June 30, 2020:

Liability Balance, July 1, 2019	\$ 4,403,384
Claims and changes in estimates	2,351,858
Claims payments	<u>(2,766,864)</u>
Liability Balance, June 30, 2020	3,988,378
Claims and changes in estimates	2,827,892
Claims payments	<u>(2,836,744)</u>
Liability Balance, June 30, 2021	<u>\$ 3,979,526</u>
Assets available to pay claims at June 30, 2021	<u>\$ 11,213,564</u>

**Note 10 - Employee Retirement System**

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2021, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 227,347,142	\$ 77,508,819	\$ 6,411,578	\$ 38,479,961
CalPERS	122,693,401	25,558,323	1,351,814	31,028,052
Total	<u>\$ 350,040,543</u>	<u>\$ 103,067,142</u>	<u>\$ 7,763,392</u>	<u>\$ 69,508,013</u>

The details of each plan are as follows:

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

**Benefits Provided**

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2021, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	10.25%	10.205%
Required employee contribution rate	16.15%	16.15%
Required employer contribution rate	10.328%	10.328%
Required state contribution rate		

**Contributions**

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers’ Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the District’s total contributions were \$21,396,812.

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

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

Total net pension liability, including State share	
Proportionate share of net pension liability	\$ 227,347,142
State's proportionate share of the net pension liability	<u>117,197,479</u>
Total	<u><u>\$ 344,544,621</u></u>

The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively was 0.2346 percent and 0.2231 percent, resulting in a net increase in the proportionate share of 0.0115 percent.

For the year ended June 30, 2021, the District recognized pension expense of \$38,479,961. In addition, the District recognized pension expense and revenue of \$16,418,217 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
Pension contributions subsequent to measurement date	\$ 21,396,812	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	28,140,817	-
Differences between projected and actual earnings on pension plan investments	5,400,459	-
Differences between expected and actual experience in the measurement of the total pension liability	401,164	6,411,578
Changes of assumptions	<u>22,169,567</u>	<u>-</u>
Total	<u><u>\$ 77,508,819</u></u>	<u><u>\$ 6,411,578</u></u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2022	\$ (3,295,328)
2023	1,840,035
2024	3,671,077
2025	<u>3,184,675</u>
Total	<u>\$ 5,400,459</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2022	\$ 13,761,924
2023	12,812,020
2024	12,376,778
2025	3,196,225
2026	892,456
Thereafter	<u>1,260,567</u>
Total	<u>\$ 44,299,970</u>

**Actuarial Methods and Assumptions**

Total pension liability for STRP was determined by applying update procedures to the 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 methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 2015 through June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

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 general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2020, 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	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%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. 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 occurred midyear. Based on these 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 total pension liability.

The following presents the District’s proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 343,489,863
Current discount rate (7.10%)	227,347,142
1% increase (8.10%)	131,454,971

**California Public Employees Retirement System (CalPERS)**

**Plan Description**

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees’ Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees’ Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2019 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:  
<https://www.calpers.ca.gov/page/forms-publications>.

**Benefits Provided**

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member’s final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member’s beneficiary if the member dies while actively employed. An employee’s eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2021, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	20.70%	20.70%

**Contributions**

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2021, are presented above and the total District contributions were \$12,396,711.

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$122,693,401. The net pension liability was measured as of June 30, 2020. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2020 and June 30, 2019, respectively was 0.3999 percent and 0.3931 percent, resulting in a net increase in the proportionate share of 0.0068 percent.

For the year ended June 30, 2021, the District recognized pension expense of \$31,028,052. 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
Pension contributions subsequent to measurement date	\$ 12,396,711	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	4,072,389	1,351,814
Differences between projected and actual earnings on pension plan investments	2,554,087	-
Differences between expected and actual experience in the measurement of the total pension liability	6,085,216	-
Changes of assumptions	449,920	-
	\$ 25,558,323	\$ 1,351,814
Total		

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2022	\$ (955,792)
2023	852,532
2024	1,481,843
2025	1,175,504
	\$ 2,554,087
Total	

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2022	\$ 6,575,621
2023	2,431,703
2024	247,865
2025	522
Total	\$ 9,255,711

**Actuarial Methods and Assumptions**

Total pension liability for the SEP was determined by applying update procedures to the 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 methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2019
Measurement date	June 30, 2020
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP-2016.

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 returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten 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. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool 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 total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 176,394,138
Current discount rate (7.15%)	122,693,401
1% increase (8.15%)	78,124,485

**Social Security**

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use the TDA as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 6.2 percent of an employee's gross earnings.

**On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$16,418,217 (10.328 percent of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

**Note 11 - Tax Abatement**

As of June 30, 2021, the District is subject to tax abatements granted by the County of Santa Clara (County) through two programs—the Williamson Act, and the Mills Act which affect the District's share of the 1% ad valorem tax (property tax). The Williamson Act enables the County to enter into contracts with private landowners for restricting specific parcels of land to agricultural or related open space use. In return, landowners receive property tax assessments which are much lower than normal because they are based upon farming and open space uses as opposed to full market value. The Mills Act, enables the County to enter into contracts with owners of qualified historic properties who actively participate in the restoration and maintenance of their history properties in exchange for receiving property tax relief.

Under agreements entered into by the County, District property tax revenues were reduced by \$335,473.

**Note 12 - Transaction with Related Party and Joint Ventures**

The District is a member with other school districts in four joint powers agencies: South Bay Area Schools Insurance Authority (SBASIA), Schools Alliance for Workers' Compensation (SAWCXII), Silicon Valley Joint Powers Transportation Agency (SVJPTA) and Metropolitan Education District (MetroEd).

SBASIA operates and maintains common risk management and insurance for liability and property damage protection. The JPA agreement for SBASIA provides that SBASIA will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 and \$1,000,000 for each insured event for property and liability, respectively. During the year, the District made payments of \$1,431,731 to the SBASIA for insurance pooling premiums.

SAWCXII provides fully insured excess workers' compensation. SAWCXII is self-insured through member premiums and reinsures through commercial companies for claims in excess of \$500,000. During the year, the District made payments of \$25,200 to the SAWCXII for insurance pooling premiums.

SVJPTA provides special education student transportation services for member districts within Santa Clara County. During the year, the District made payments of \$2,558,330 to the SVJPTA for student transportation.

MetroEd provides career technical and adult education to students of member districts within Santa Clara County. During the year, the District made payments of \$476,710 to the MetroEd for adult education programs.

The relationship between the District and the Joint Powers Authorities is such that they are not component units of the District for financial reporting purposes.

### **Note 13 - Commitments and Contingencies**

#### **Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2021.

#### **Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2021.

#### **Construction Commitments**

As of June 30, 2021, the District has commitments for capital construction projects totaling approximately \$142.1 million.

**Note 14 - Change in Accounting Principles**

As of July 1, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities* (GASB 84). As a result of the implementation of GASB 84, the District has reclassified its associated student body activity, previously reported as fiduciary funds to a governmental fund – Student Activity Fund. The following table describes the effects of the implementation on beginning fund balance and net position.

	Nonmajor Governmental Funds	Total Governmental Funds
Beginning fund balance previously reported at July 1, 2020	\$ 67,634,619	\$ 866,431,644
Reclassification of student activity funds from agency funds to a special revenue fund	860,565	860,565
Fund balance - beginning, as restated July 1, 2020	\$ 68,495,184	\$ 867,292,209
<b>Governmental Activities</b>		
Beginning net position previously reported at July 1, 2020		\$ 330,665,732
Reclassification of student activity funds from agency funds to a special revenue fund		860,565
Net position - beginning, as restated July 1, 2020		\$ 331,526,297



Required Supplementary Information  
June 30, 2021

**Santa Clara Unified School District**

Santa Clara Unified School District  
 Budgetary Comparison Schedule – General Fund  
 Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
<b>Revenues</b>				
Local Control Funding Formula	\$242,702,972	\$263,208,128	\$271,697,214	\$ 8,489,086
Federal sources	5,789,171	16,637,769	15,706,345	(931,424)
Other State sources	18,546,349	19,756,485	26,306,225	6,549,740
Other local sources	21,610,369	26,066,984	24,673,464	(1,393,520)
Total revenues	<u>288,648,861</u>	<u>325,669,366</u>	<u>338,383,248</u>	<u>12,713,882</u>
<b>Expenditures</b>				
Current				
Certificated salaries	136,304,344	135,824,020	135,508,881	315,139
Classified salaries	52,784,159	52,125,635	51,711,685	413,950
Employee benefits	76,502,993	71,914,496	71,492,795	421,701
Books and supplies	13,215,254	25,477,181	11,943,079	13,534,102
Services and operating expenditures	26,176,127	25,521,031	23,834,866	1,686,165
Other outgo	(196,110)	(103,795)	(16,495)	(87,300)
Capital outlay	661,669	2,218,522	2,284,513	(65,991)
Total expenditures	<u>305,448,436</u>	<u>312,977,090</u>	<u>296,759,324</u>	<u>16,217,766</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(16,799,575)</u>	<u>12,692,276</u>	<u>41,623,924</u>	<u>28,931,648</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	3,214,680	3,423,405	-	(3,423,405)
Transfers out	(948,426)	(10,000,458)	(4,949,728)	5,050,730
Net financing sources (uses)	<u>2,266,254</u>	<u>(6,577,053)</u>	<u>(4,949,728)</u>	<u>1,627,325</u>
Net Change in Fund Balances	(14,533,321)	6,115,223	36,674,196	30,558,973
Fund Balance - Beginning	179,133,346	179,133,346	179,133,346	-
Fund Balance - Ending	<u>\$164,600,025</u>	<u>\$185,248,569</u>	<u>\$215,807,542</u>	<u>\$ 30,558,973</u>

Santa Clara Unified School District  
Schedule of Changes in the District's Total OPEB Liability and Related Ratios  
Year Ended June 30, 2021

Reporting Period	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 1,261,913	\$ 1,153,325	\$ 925,238	\$ 1,012,112
Interest	589,074	602,150	455,334	372,987
Difference between expected and actual experience	1,501,680	-	2,826,952	-
Changes of assumptions	(747,684)	542,608	(398,035)	(853,784)
Benefit payments	(1,020,232)	(1,033,453)	(904,273)	(895,267)
Net change in total OPEB liability	1,584,751	1,264,630	2,905,216	(363,952)
Total OPEB Liability - Beginning	17,340,798	16,076,168	13,170,952	13,534,904
Total OPEB Liability - Ending	<u>\$ 18,925,549</u>	<u>\$ 17,340,798</u>	<u>\$ 16,076,168</u>	<u>\$ 13,170,952</u>
Covered Payroll	<u>\$176,705,723</u>	<u>\$183,549,968</u>	<u>\$157,029,250</u>	<u>\$122,971,446</u>
Total OPEB Liability as a Percentage of Covered Payroll	10.71%	9.45%	10.24%	10.71%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

*Note:* In the future, as data becomes available, ten years of information will be presented.

Santa Clara Unified School District  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Year Ended June 30, 2021

	2021	2020	2019	2018	2017	2016	2015
<b>CalSTRS</b>							
Proportion of the net pension liability	0.2346%	0.2231%	0.2190%	0.1980%	0.1790%	0.1720%	0.1610%
Proportionate share of the net pension liability	\$ 227,347,142	\$ 201,488,000	\$ 201,674,000	\$ 183,463,000	\$ 144,703,000	\$ 115,605,000	\$ 93,812,000
State's proportionate share of the net pension liability	117,197,479	109,926,000	115,468,000	108,536,000	82,384,000	61,142,000	56,648,000
Total	<u>\$ 344,544,621</u>	<u>\$ 311,414,000</u>	<u>\$ 317,142,000</u>	<u>\$ 291,999,000</u>	<u>\$ 227,087,000</u>	<u>\$ 176,747,000</u>	<u>\$ 150,460,000</u>
Covered payroll	<u>\$ 128,001,450</u>	<u>\$ 123,161,744</u>	<u>\$ 116,806,999</u>	<u>\$ 105,140,970</u>	<u>\$ 89,162,777</u>	<u>\$ 79,700,732</u>	<u>\$ 71,503,000</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>177.61%</u>	<u>163.60%</u>	<u>172.66%</u>	<u>174.49%</u>	<u>162.29%</u>	<u>145.05%</u>	<u>131.20%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>72%</u>	<u>73%</u>	<u>71%</u>	<u>69%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
<b>CalPERS</b>							
Proportion of the net pension liability	0.3999%	0.3931%	0.3660%	0.3260%	0.2780%	0.2560%	0.2500%
Proportionate share of the net pension liability	\$ 122,693,401	\$ 114,554,000	\$ 97,656,000	\$ 77,925,000	\$ 54,858,000	\$ 37,763,000	\$ 28,385,000
Covered payroll	\$ 57,915,162	\$ 54,903,217	\$ 48,305,891	\$ 41,612,342	\$ 33,322,824	\$ 28,363,223	\$ 26,247,000
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>211.85%</u>	<u>208.65%</u>	<u>202.16%</u>	<u>187.26%</u>	<u>164.63%</u>	<u>133.14%</u>	<u>108.15%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>70%</u>	<u>71%</u>	<u>72%</u>	<u>74%</u>	<u>79%</u>	<u>83%</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Note : In the future, as data becomes available, ten years of information will be presented.

Santa Clara Unified School District  
Schedule of the District Contributions  
Year Ended June 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>CalSTRS</b>							
Contractually required contribution	\$ 21,396,812	\$ 21,888,248	\$ 20,050,732	\$ 16,855,250	\$ 13,226,734	\$ 9,567,166	\$ 7,077,425
Less contributions in relation to the contractually required contribution	<u>21,396,812</u>	<u>21,888,248</u>	<u>20,050,732</u>	<u>16,855,250</u>	<u>13,226,734</u>	<u>9,567,166</u>	<u>7,077,425</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
Covered payroll	<u>\$ 132,488,000</u>	<u>\$ 128,001,450</u>	<u>\$ 123,161,744</u>	<u>\$ 116,806,999</u>	<u>\$ 105,140,970</u>	<u>\$ 89,162,777</u>	<u>\$ 79,700,732</u>
Contributions as a percentage of covered payroll	<u>16.15%</u>	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
<b>CalPERS</b>							
Contractually required contribution	\$ 12,396,711	\$ 11,421,449	\$ 9,916,619	\$ 7,502,388	\$ 5,779,122	\$ 3,947,755	\$ 3,338,635
Less contributions in relation to the contractually required contribution	<u>12,396,711</u>	<u>11,421,449</u>	<u>9,916,619</u>	<u>7,502,388</u>	<u>5,779,122</u>	<u>3,947,755</u>	<u>3,338,635</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
Covered payroll	<u>\$ 59,887,493</u>	<u>\$ 57,915,162</u>	<u>\$ 54,903,217</u>	<u>\$ 48,305,891</u>	<u>\$ 41,612,342</u>	<u>\$ 33,322,824</u>	<u>\$ 28,363,223</u>
Contributions as a percentage of covered payroll	<u>20.700%</u>	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

Note : In the future, as data becomes available, ten years of information will be presented.

## **Note 1 - Purpose of Schedules**

### **Budgetary Comparison Schedules**

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 State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

### **Schedule of Changes in Total Other Postemployment Benefits (OPEB) Liability**

This schedule presents information on the District's actuarially determined contribution, contributions in relation to the actuarially determined contribution, and any excess or deficiency related to the actuarially determined contribution. In the future, as data becomes available, ten years of information will be presented.

- No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No.75.
- Changes in Benefit Terms – There were no changes in benefit terms since the previous valuations for OPEB.
- Changes of Assumptions – The plan discount rate assumption was changed from 3.87 percent to 2.21 percent. The assumed probabilities of retirement and turnover was changed from the 2014 CalPERS and 2016 STRS rates to the 2017 CalPERS and 2020 STRS rates. The assumed rates of mortality have been changed from the RP-2014 table projected to future years with scale MP-2016, to the 2017 CalPERS mortality table projected to future years with the ultimate rates of scale MP-2020. The assumption about the percentage of future retiring employees who choose coverage under these benefits was changed from 100% of future retirees to 90% of employees who have current medical coverage and 50% of employees who don't have current medical coverage.

### **Schedule of the District's Proportionate Share of the Net Pension Liability**

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

- Changes in Benefit Terms – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- Changes of Assumptions – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

**Schedule of the District's Contributions**

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.



Supplementary Information  
June 30, 2021

**Santa Clara Unified School District**

Santa Clara Unified School District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/CFDA Number	Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Education			
Passed Through California Department of Education (CDE)			
Every Student Succeed Act (ESSA)			
Title I Grants to Local Educational Agencies	84.010	14329	\$ 1,210,367
Title I Grants to Local Educational Agencies	84.010	15438	<u>97,961</u>
Subtotal Title I Grants to Local Educational Agencies			<u>1,308,328</u>
Migrant Education State Grant Program	84.011	14326	58,576
Supporting Effective Instruction State Grants	84.367	14341	274,175
English Language Acquisition State Grants	84.365	14346	168,944
English Language Acquisition State Grants	84.365	15146	<u>169,410</u>
Subtotal English Language Acquisition State Grants			<u>671,105</u>
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	10006	87,547
Special Education Cluster (IDEA):			
Special Education Grants to States	84.027	13379	2,503,685
Special Education Grants to States	84.027	10115	2,800
Special Education Grants to States	84.027	10119	27,630
Special Education Grants to States	84.027	15197	<u>171,137</u>
Subtotal Special Education Grants to States			2,705,252
Special Education Preschool Grants	84.173	13430	<u>76,170</u>
Subtotal			2,781,422
Carl Perkins Act:			
Career and Technical Education -- Basic Grants to States	84.048	14893	<u>73,266</u>
Adult Education Act:			
Adult Education - Basic Grants to States	84.002A	14508	148,633
Adult Education - Basic Grants to States	84.002	13978	86,124
Adult Education - Basic Grants to States	84.002A	14109	<u>4,368</u>
Total Adult Education - Basic Grants to States			<u>239,125</u>

Santa Clara Unified School District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/CFDA Number	Pass-Through Entity Identifying Number	Expenditures
Cares Act:			
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425	15536	\$ 1,071,297
COVID-19 - Elementary and Secondary School Emergency Relief II (ESSER II) Fund	84.425D	15547	784,222
COVID-19 - Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.425C	15517	<u>1,036,967</u>
Subtotal			<u>2,892,486</u>
Total U.S. Department of Education			<u>\$ 8,053,279</u>
U.S. Department of Treasury			
Passed through California Department of Education (CDE)			
COVID-19 - Coronavirus Relief Fund: Learning Loss Mitigation	21.019	25516	<u>7,892,191</u>
Total U.S. Department of Treasury			<u>\$ 7,892,191</u>
U.S. Department of Health and Human Services			
Passed through California Department of Education (CDE)			
COVID-19 - Child Care and Development Fund (CCDF) Cluster			
Child Development: - One-time Stipend	93.575	15555	<u>92,060</u>
Total U.S. Department of Health and Human Services			<u>\$ 92,060</u>
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	\$ 3,943,424
School Breakfast Program - Especially Needy Breakfast	10.553	13526	2,220,813
National School Lunch Program - Commodity Supplemental Food	10.555	13391	<u>324,293</u>
Total Child Nutrition Cluster			<u>6,488,530</u>
Child and Adult Care Food Program	10.558	13393	<u>2,032,815</u>
Total U.S. Department of Agriculture			<u>\$ 8,521,345</u>
Total Federal Financial Assistance			<u>\$ 24,558,875</u>

**Organization**

Santa Clara Unified School District was established in 1966 and is comprised of an area of approximately 56 square miles located in the city of Santa Clara, in Santa Clara County. The District currently operates seventeen elementary schools and three middle schools, one K-8 school, two comprehensive high schools, an alternative high school, a continuation high school, an adult school, and an independent study program. There were no changes in the boundaries of the District during the year.

The Board of Education of Santa Clara Unified School District is composed of seven members elected at large within the boundaries of the District. The Board and Administrative Staff manage and control the affairs of the District.

**Governing Board**

Member	Office	Term Expires
Jodi Muirhead	President	2022
Vickie Fairchild	Vice President	2022
Bonnie Lieberman	Clerk	2024
Jim Canova	Member	2022
Albert Gonzalez	Member	2024
Andrew Ratermann	Member	2022
Michele Ryan, Ph.D.	Member	2024

**Administration**

Name	Title
Stella M. Kemp, Ed. D.	Superintendent
Brad Stam	Chief Academic and Innovation Officer
Kathie Kanavel	Assistant Superintendent, Educational Services
Kevin Keegan	Assistant Superintendent, Human Resources
Mark Schiel	Chief Business Official

Santa Clara Unified School District  
 Schedule of Instructional Time  
 Year Ended June 30, 2021

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Grade Level	Number of Actual Days		Total Days Offered	Status
	Traditional Calendar	Multitrack Calendar		
Kindergarten	180	-	180	Complied
Grades 1 - 3				
Grade 1	180	-	180	Complied
Grade 2	180	-	180	Complied
Grade 3	180	-	180	Complied
Grades 4 - 8				
Grade 4	180	-	180	Complied
Grade 5	180	-	180	Complied
Grade 6	180	-	180	Complied
Grade 7	180	-	180	Complied
Grade 8	180	-	180	Complied
Grades 9 - 12				
Grade 9	180	-	180	Complied
Grade 10	180	-	180	Complied
Grade 11	180	-	180	Complied
Grade 12	180	-	180	Complied

Santa Clara Unified School District  
Reconciliation of Unaudited Financial Report with Audited Financial Statements  
Year Ended June 30, 2021

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There were no reconciling items between ending fund balances from the audited financial statements and the unaudited ending fund balances from the annual financial and budget report.

Santa Clara Unified School District  
Schedule of Financial Trends and Analysis  
Year Ended June 30, 2021

	(Budget) 2022 <sup>1</sup>	2021	2020	2019
General Fund				
Revenues	\$ 322,919,569	\$ 338,383,248	\$ 351,468,019	\$ 287,668,309
Other sources	678,686	-	996,957	921,169
Total revenues and other sources	<u>323,598,255</u>	<u>338,383,248</u>	<u>352,464,976</u>	<u>288,589,478</u>
Expenditures	326,740,820	296,759,324	284,783,095	287,902,647
Other uses and transfers out	5,153,192	4,949,728	6,949,029	612,051
Total expenditures and other uses	<u>331,894,012</u>	<u>301,709,052</u>	<u>291,732,124</u>	<u>288,514,698</u>
Net Change in Fund Balance	<u>(8,295,757)</u>	<u>36,674,196</u>	<u>60,732,852</u>	<u>74,780</u>
Ending Fund Balance	<u>\$ 207,511,785</u>	<u>\$ 215,807,542</u>	<u>\$ 179,133,346</u>	<u>\$ 118,400,494</u>
Available Reserves <sup>2</sup>	<u>\$ 147,842,485</u>	<u>\$ 177,030,403</u>	<u>\$ 45,845,700</u>	<u>\$ 38,092,794</u>
Available Reserves as a Percentage of Total Outgo	<u>44.55%</u>	<u>58.68%</u>	<u>15.70%</u>	<u>13.20%</u>
Long-Term Liabilities	<u>\$ 1,385,549,876</u>	<u>\$ 1,433,936,532</u>	<u>\$ 1,447,684,325</u>	<u>\$ 1,456,198,776</u>
K-12 Average Daily Attendance at P-2 <sup>3</sup>	<u>13,963</u>	<u>14,597</u>	<u>14,597</u>	<u>14,641</u>

The general fund balance has increased by \$97,407,048 over the past two years. The fiscal year 2021-2022 budget projects a decrease of \$8,295,757 (-3.84%). For a district this size, the State requires available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in each of the past three years and anticipates incurring an operating surplus during the 2021-2022 fiscal year. Total long-term liabilities have decreased by \$22,262,244 over the past two years.

Average daily attendance has decreased by 44 over the past two years. An additional decline of 634 ADA is anticipated during fiscal year 2021-2022.

1 Budget 2022 is included for analytical purposes only and has not been subjected to audit.

2 Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

3 Due to Covid-19, 2021 ADA was not collected; therefore, 2020 's ADA was used.

There are no charter schools chartered by the District.

Santa Clara Unified School District  
Combining Balance Sheet – Nonmajor Governmental Funds  
June 30, 2021

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Nonmajor Governmental Funds
<b>Assets</b>								
Deposits and investments	\$ 720,788	\$ 933,058	\$ 1,518,446	\$ 2,543,368	\$ 7,131,888	\$ 54,719,999	\$ 10,752,736	\$ 78,320,283
Receivables	-	151,609	24,117	460,804	17,265	131,804	23,446	809,045
Due from other funds	19,259	4,671	1,011,041	2,372	2,591,463	-	-	3,628,806
Stores inventories	-	-	-	277,415	-	-	-	277,415
<b>Total assets</b>	<b>\$ 740,047</b>	<b>\$ 1,089,338</b>	<b>\$ 2,553,604</b>	<b>\$ 3,283,959</b>	<b>\$ 9,740,616</b>	<b>\$ 54,851,803</b>	<b>\$ 10,776,182</b>	<b>\$ 83,035,549</b>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities</b>								
Accounts payable	\$ -	\$ 75,600	\$ 359,592	\$ 154,952	\$ -	\$ 43,006	\$ 14,126	\$ 647,276
Due to other funds	1,891	551,041	1,227,164	31,883	543,397	56,780	19,000	2,431,156
Unearned revenue	-	-	603,810	247,927	-	-	-	851,737
<b>Total liabilities</b>	<b>1,891</b>	<b>626,641</b>	<b>2,190,566</b>	<b>434,762</b>	<b>543,397</b>	<b>99,786</b>	<b>33,126</b>	<b>3,930,169</b>
<b>Fund Balances</b>								
Nonspendable	-	-	-	277,415	-	-	-	277,415
Restricted	738,156	462,697	363,038	2,571,782	7,175,322	54,752,017	-	66,063,012
Assigned	-	-	-	-	2,021,897	-	10,743,056	12,764,953
<b>Total fund balances</b>	<b>738,156</b>	<b>462,697</b>	<b>363,038</b>	<b>2,849,197</b>	<b>9,197,219</b>	<b>54,752,017</b>	<b>10,743,056</b>	<b>79,105,380</b>
<b>Total liabilities and fund balances</b>	<b>\$ 740,047</b>	<b>\$ 1,089,338</b>	<b>\$ 2,553,604</b>	<b>\$ 3,283,959</b>	<b>\$ 9,740,616</b>	<b>\$ 54,851,803</b>	<b>\$ 10,776,182</b>	<b>\$ 83,035,549</b>

Santa Clara Unified School District  
Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Nonmajor Governmental Funds  
June 30, 2021

	Student Activity Fund	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Nonmajor Governmental Funds
<b>Revenues</b>								
Federal sources	\$ -	\$ 239,125	\$ 92,059	\$ 8,521,346	\$ -	\$ -	\$ -	\$ 8,852,530
Other State sources	-	2,165,366	3,269,283	1,060,213	-	-	-	6,494,862
Other local sources	275,151	1,553,642	683,185	319,125	140,930	7,219,929	1,006,641	11,198,603
Total revenues	275,151	3,958,133	4,044,527	9,900,684	140,930	7,219,929	1,006,641	26,545,995
<b>Expenditures</b>								
<b>Current</b>								
Instruction	-	1,699,680	5,319,816	-	-	-	-	7,019,496
Instruction-related activities								
Supervision of instruction	-	391,427	278,611	-	-	-	-	670,038
School site administration	-	986,032	1,002,454	-	-	-	-	1,988,486
Pupil services								
Food services	-	-	-	7,233,968	-	-	-	7,233,968
All other pupil services	-	57,917	-	-	-	-	-	57,917
Administration								
All other administration	-	89,882	272,995	165,329	-	212,024	-	740,230
Plant services	-	379,784	313,083	-	55,989	-	1,900	750,756
Ancillary services	397,560	-	-	-	-	-	-	397,560
Capital outlay	-	-	-	-	-	1,363,388	55,350	1,418,738
Debt service								
Principal	-	-	-	-	-	-	115,000	115,000
Interest	-	-	-	-	-	-	493,338	493,338
Total expenditures	397,560	3,604,722	7,186,959	7,399,297	55,989	1,575,412	665,588	20,885,527
Excess (Deficiency) of Revenues Over Expenditures	(122,409)	353,411	(3,142,432)	2,501,387	84,941	5,644,517	341,053	5,660,468
<b>Other Financing Sources (Uses)</b>								
Transfers in	-	109,286	2,792,280	97	2,048,065	-	-	4,949,728
Net Change in Fund Balances	(122,409)	462,697	(350,152)	2,501,484	2,133,006	5,644,517	341,053	10,610,196
Fund Balance - Beginning, as restated	860,565	-	713,190	347,713	7,064,213	49,107,500	10,402,003	68,495,184
Fund Balance - Ending	\$ 738,156	\$ 462,697	\$ 363,038	\$ 2,849,197	\$ 9,197,219	\$ 54,752,017	\$ 10,743,056	\$ 79,105,380

## **Note 1 - Schedule of Expenditures of Federal Awards (SEFA)**

### Basis of Presentation

The accompanying schedule of expenditures of federal awards (schedule) includes the federal award activity of the Santa Clara Unified School District (District) under programs of the federal government for the year ended June 30, 2021. The information 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). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net financial position of the District.

### Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. No federal financial assistance has been provided to a subrecipient. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### Indirect Cost Rate

The District does not draw for indirect administrative expenses and has not elected to use the ten percent de minimus cost rate.

## **Note 2 – Description of Schedules**

### **Local Education Agency Organization Structure**

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

### **Schedule of Instructional Time**

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

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

### **Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

**Schedule of Financial Trends and Analysis**

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

**Schedule of Charter Schools**

This schedule lists all Charter Schools chartered by the District and displays information for each Charter School on whether or not the Charter School is included in the School District audit.

**Nonmajor Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances**

The Nonmajor Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Nonmajor Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.



Independent Auditor's Reports  
June 30, 2021

**Santa Clara Unified School District**



**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  
Santa Clara Unified School District  
Santa Clara, California

We have audited, 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, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Santa Clara Unified School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Santa Clara Unified School District’s basic financial statements and have issued our report thereon dated January 31, 2022. Our report includes a reference to other auditors who audited the financial statements of the Santa Clara Teacher Housing Foundation, as described in our report on the Santa Clara Unified School District’s financial statements. This report does not include the results of the other auditors’ testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control over Financial Reporting**

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Menlo Park, California  
January 31, 2022



## **Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance**

Board of Education  
Santa Clara Unified School District  
Santa Clara, California

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

We have audited the Santa Clara 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 the Santa Clara Unified School District's major federal programs for the year ended June 30, 2021. The Santa Clara Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Santa Clara 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 the Santa Clara 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 the Santa Clara Unified School District's compliance.

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

In our opinion, the Santa Clara Unified School District's 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.

### **Report on Internal Control over Compliance**

Management of the Santa Clara 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 the Santa Clara Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Santa Clara 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Menlo Park, California  
January 31, 2022



## Independent Auditor's Report on State Compliance

Board of Education  
Santa Clara Unified School District  
Santa Clara, California

### Report on State Compliance

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

### Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified in the table below.

### Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit 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 the *2020-2021 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the 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 state compliance. However, our audit does not provide a legal determination of the District's compliance.

### Basis for Qualified Opinion on Attendance and Distance Learning, and Comprehensive School Safety Plan

As described in the accompanying Schedule of State Compliance Findings and Questioned Costs, the District did not comply with all requirements regarding Attendance and Distance Learning (2021-001), and Comprehensive School Safety Plan (2021-002). Compliance with such requirements is necessary, in our opinion, for the Santa Clara Unified School District to comply with the requirements referred to above.

**Qualified Opinion on Attendance and Distance Learning, and Comprehensive School Safety Plan**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2021.

**Unmodified Opinion on Each of the Other Programs**

In our opinion, the Santa Clara Unified School District complied, in all material respects, with the laws and regulations of the state programs referred to above for the year ended June 30, 2021, except as described in the accompanying *Schedule of State Compliance Findings and Questioned Costs*.

**Other Matters**

The District’s response to the noncompliance findings identified in our audit are described in the accompanying Schedule of State Compliance Findings and Questioned Costs. The District’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Compliance Requirements Tested**

In connection with the audit referred to above, we selected and tested transactions and records to determine the District’s compliance with laws and regulations applicable to the following items:

	<u>Procedures Performed</u>
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios 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
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
California Clean Energy Jobs Act	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Independent Study - Course Based	No, See below
<b>CHARTER SCHOOLS</b>	
Attendance	No, See below
Mode of Instruction	No, See below
Nonclassroom-Based Instruction/Independent Study	No, See below
Determination of Funding for Nonclassroom-Based Instruction	No, See below
Charter School Facility Grant Program	No, See below

We did not perform procedures regarding certain state program for the following reasons:

**Early Retirement Incentive**

The District did not have any employees retire under the CalSTRS Early Retirement Incentive program; therefore, testing was not required. Furthermore, the District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

**Apprenticeship: Related and Supplemental Instruction**

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.

**District of Choice**

We did not perform District of Choice procedures because the program is not offered by the District.

**Independent Study - Course Based**

For the 2020-2021 school year, Independent Study – Course Based does not apply to School Districts as a result of distance learning, therefore, we did not perform any procedures related to the Independent Study – Course Based Program.

**Charter Schools**

The District does not operate any Charter Schools; therefore, we did not perform procedures for Charter School Programs.

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

Menlo Park, California  
January 31, 2022

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major program	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	No

**Identification of major programs**

Name of Federal Program or Cluster	Federal Financial Assistance Listing/ Federal CFDA Number
Elementary and Secondary School Emergency Relief (ESSER) Fund, Elementary and Secondary School Emergency Relief II (ESSER II) Fund, Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	84.425, 84.425D, 84.425C 10.558
Child and Adult Care Food Program	84.027, 84.173, 84.027A
Special Education Cluster	21.019
Coronavirus Relief Fund: Learning Loss Mitigation	
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

**State Compliance**

Unmodified for all programs except for the following programs which were qualified

- Attendance and Distance Learning
- Comprehensive School Safety Plan

None reported.

None reported.

The following findings represent instances of noncompliance and questioned costs relating to State program laws and regulations. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
10000	Attendance and Distance Learning
40000	State Compliance

**2021-001      Attendance and Distance Learning**  
 Code 10000, 40000

**Criteria**

EDC §43504(d) (1): Each local educational agency shall document daily participation for each pupil on each school day, in whole or in part, for which distance learning is provided. A pupil who does not participate in distance learning on a school day shall be documented as absent for that school day.

EDC §43504(d) (2): For purposes of this section, daily participation may include, but is not limited to, evidence of participation in online activities, completion of regular assignments, completion of assessments, and contacts between employees of the local educational agency and pupils or parents or guardians.

EDC §43504(e): Each local educational agency shall ensure that a weekly engagement record is completed for each pupil documenting synchronous or asynchronous instruction for each whole or partial day of distance learning, verifying daily participation, and tracking assignments.

EDC §43504(f) (1): A pupil who does not participate daily in either in-person instruction pursuant to subdivision (b) or distance learning pursuant to subdivision (d) shall be deemed absent by the local educational agency. A local educational agency shall use documentation of the absence for purposes of reporting its chronic absenteeism rates in its local control and accountability plan.

**Condition**

The District was unable to provide daily participation documentations and weekly engagement records to verify whether it has met the criteria mentioned above.

**Questioned Costs**

Excluding days prior to September 1, 2020, calculated questioned costs are \$25,507, per the California Department of Education Audit Finding Calculator.

**Context**

Two of the four sampled school sites are applicable to this finding.

**Effect**

The District could not demonstrate that it complied with all the Distance Learning documentation requirements.

**Cause**

Formal guidance and regulations from the California Department of Education were published after the school year. The timing did not provide sufficient time for management to develop a robust policy and related internal controls over this new compliance requirement.

**Recommendation**

We recommend the District to apply for a waiver of these specific compliance requirements.

**Identification as a Repeat Finding**

No

**Corrective Action Plan and Views of Responsible Officials**

This requirement only applies to fiscal year 2020-21.

**2021-002      Comprehensive School Safety Plan**  
Code 40000

**Criteria**

EDC §32286(a): Each school shall adopt its comprehensive school safety plan by March 1, 2000, and shall review and update its plan by March 1, every year thereafter.

**Condition**

The plans were not reviewed and approved by March 1.

**Questioned Costs**

There is no questioned cost associated with this condition because there is no funding related to the Comprehensive School Safety Plan.

**Context**

The condition applies at two of the four sampled school sites. The plans were approved on March 18, 2021 and April 7, 2021, which is after March 1. The plans otherwise follow the compliance requirements.

**Effect**

The District did not comply with the Comprehensive School Safety Plan compliance requirement that Plans be approved by March 1 annually.

**Cause**

There were scheduling delays caused by the COVID-19 pandemic and related challenges of holding the required meetings.

**Recommendation**

We recommend the District to apply for a waiver of these specific compliance requirements.

**Identification as a Repeat Finding**

No

**Corrective Action Plan and Views of Responsible Officials**

The District will work with sites to ensure that comprehensive school safety plans are reviewed, updated and adopted before the March 1 deadline.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.