

ELK GROVE UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2023

ELK GROVE UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2023

CONTENTS

| | |
|---|----|
| INDEPENDENT AUDITOR'S REPORT | 1 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 4 |
| BASIC FINANCIAL STATEMENTS: | |
| GOVERNMENT-WIDE FINANCIAL STATEMENTS: | |
| STATEMENT OF NET POSITION | 16 |
| STATEMENT OF ACTIVITIES | 17 |
| FUND FINANCIAL STATEMENTS: | |
| BALANCE SHEET - GOVERNMENTAL FUNDS | 18 |
| RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION | 19 |
| STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS | 21 |
| RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS - TO THE STATEMENT OF ACTIVITIES | 22 |
| STATEMENT OF FUND NET POSITION - PROPRIETARY FUND - SELF- INSURANCE FUND | 24 |
| STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND NET POSITION PROPRIETARY FUND - SELF-INSURANCE FUND | 25 |
| STATEMENT OF CASH FLOWS - PROPRIETARY FUND - SELF-INSURANCE FUND | 26 |
| STATEMENT OF FIDUCIARY NET POSITION - TRUST FUND | 27 |
| STATEMENT OF CHANGE IN FIDUCIARY NET POSITION - TRUST FUND | 28 |
| NOTES TO FINANCIAL STATEMENTS | 29 |

ELK GROVE UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2023
(Continued)

CONTENTS

REQUIRED SUPPLEMENTARY INFORMATION:

| | |
|---|----|
| GENERAL FUND BUDGETARY COMPARISON SCHEDULE | 62 |
| SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY | 63 |
| SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY | 64 |
| SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS | 66 |
| NOTE TO REQUIRED SUPPLEMENTARY INFORMATION | 68 |

SUPPLEMENTARY INFORMATION:

| | |
|--|----|
| COMBINING BALANCE SHEET - ALL NON-MAJOR FUNDS | 69 |
| COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - ALL NON-MAJOR FUNDS | 70 |
| ORGANIZATION | 71 |
| SCHEDULE OF AVERAGE DAILY ATTENDANCE | 72 |
| SCHEDULE OF INSTRUCTIONAL TIME | 73 |
| SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS | 74 |
| RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT WITH AUDITED FINANCIAL STATEMENTS | 77 |
| SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS – UNAUDITED | 78 |
| SCHEDULE OF CHARTER SCHOOLS | 79 |
| SCHEDULE OF FIRST 5 REVENUES AND EXPENDITURES | 80 |
| NOTES TO SUPPLEMENTARY INFORMATION | 81 |

ELK GROVE UNIFIED SCHOOL DISTRICT

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2023
(Continued)

CONTENTS

| | |
|--|----|
| INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE..... | 82 |
| 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> | 86 |
| INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE FIRST 5 SACRAMENTO COUNTY PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH A PROGRAM-SPECIFIC AUDIT | 88 |
| INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE | 90 |
| FINDINGS AND RECOMMENDATIONS: | |
| SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS | 93 |
| STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS..... | 97 |

INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Elk Grove Unified School District, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Elk Grove Unified School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Elk Grove Unified School District, as of June 30, 2023, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 15 and the General Fund Budgetary Comparison Schedule, the Schedule of Changes in the District's Total Other Postemployment Benefits (OPEB) Liability, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 62 to 67 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

(Continued)

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2023 on our consideration of the Elk Grove Unified School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Elk Grove Unified School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Elk Grove Unified School District's internal control over financial reporting and compliance.


Crowe LLP

Sacramento, California
December 15, 2023

Elk Grove Unified School District



Management’s Discussion and Analysis

The Management’s Discussion and Analysis (MD&A) Section of the audit report is District management’s overall view of the District’s financial condition and provides an opportunity to discuss important fiscal issues with the Board and the public. The MD&A is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34. Certain comparative information is required to be presented in this document.

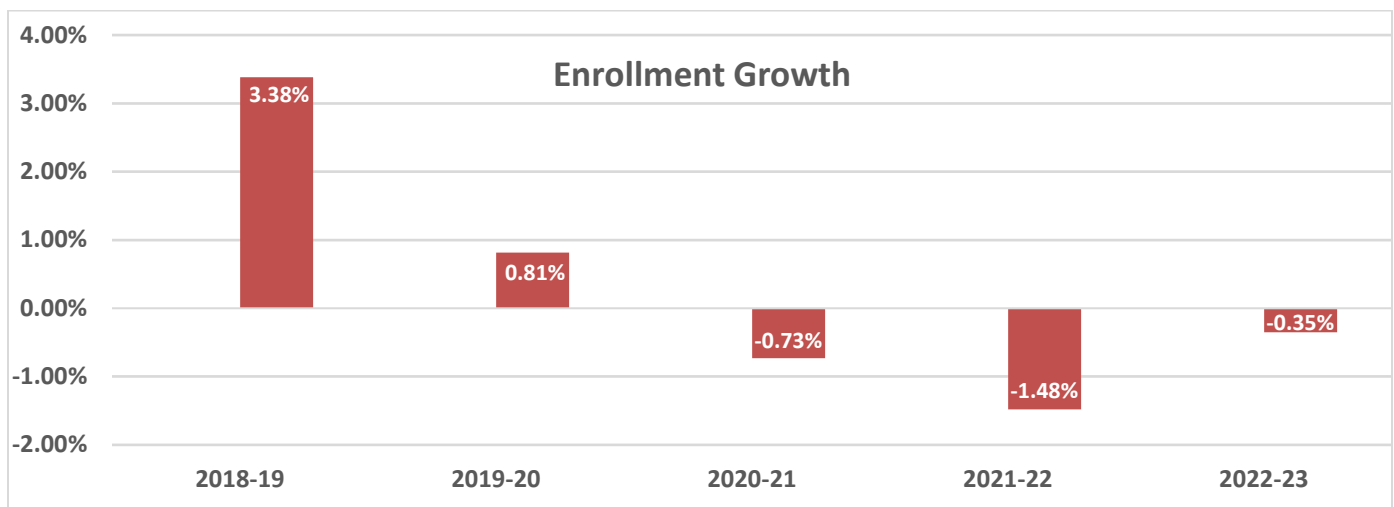
District Overview

Elk Grove Unified School District (the “District”) is an award-winning district known for its commitment to academic excellence and learning for all students. Located in Sacramento County, one of the most diverse and least segregated areas of California, the District provides educational services to the residents in and around the cities of Elk Grove, Rancho Cordova, and Sacramento, as well as unincorporated areas of Sacramento County. Elk Grove Unified is California’s fifth largest school district and the largest in Northern California, covering 320 square miles and serving nearly 63,000 students speaking 118 different languages. Over 50% of enrolled students are either English learners, foster youth, or eligible for free or reduced-price meals.

For fiscal year 2022-2023, the District operated 43 elementary schools, nine middle schools, nine comprehensive high schools, three alternative high schools, one special education school, one independent study school, one adult school, and one charter school. As of the end of the 2022-2023 school year, the District employed 3,845 certificated and 2,657 classified staff.

Offering a multitude of educational programs, including 67 career-themed Career Technical Education academy and pathway programs within 13 industry sectors, the District prepares its students for college and career by supporting them with the means to be creative problem solvers; self-aware, self-reliant, and self-disciplined; technically literate; effective communicators and collaborators; and engaged in the community as individuals with integrity. The District integrates rigorous academics with career-based learning and real-world workplace experiences and ensures that Every Student is Learning, in Every Classroom, in Every Subject, Every Day to Prepare College, Career and Life Ready Graduates.

Historically, the District was one of the fastest growing school districts in the nation. Recent economic conditions, including the impacts of COVID-19 and cyclical demographic declines in maturing regions, have slowed the District’s overall growth over the last few years. The District continues to experience growth in various regions within its boundary which will result in the need for new schools.



Source: Ed-Data.org, Census Day Enrollment by Non-Charter, collected in October of each year

Governance

The District is governed by an elected seven-member Board of Education and one student representative. The board members represent seven geographic areas and are elected at large for four-year terms. Students serve for a single school year.

District Mission, Core Values, and Strategic Goals

Elk Grove Unified School District will provide a learning community that challenges ALL students to realize their greatest potential.

The District's core values are:

Outcomes for Students

Achievement of core academic skills
Confident, effective thinkers and problem solvers
Ethical participants in society

Commitments about how we operate as an organization

Supporting continuous improvement of instruction
Building strong relationships
Finding Solutions

High expectations for learning for ALL students and staff

Instructional excellence
Safe, peaceful, and healthy environment
Enriched learning environment
Collaboration with diverse communities and families

The District believes in the importance of equity, diversity, and inclusion in its policies and practices. The District defines educational equity as both a process and an outcome:

- The process of using a lens of equity to analyze and inform decisions, policies, and practices in our schools and district to ensure they are culturally sensitive and provide all students with access, opportunity, validation, support, and resources.
- The outcome whereby all educational outcomes are no longer predicted by identity categories such as race, ethnicity, ability, gender, and socioeconomic status.

The District's strategic goals maintain the focus of and coherence among the District's educational programs and services. These strategic goals include:

High Quality Classroom Instruction and Curriculum

All students will receive high quality classroom instruction and curriculum to promote college and career readiness and close the achievement gap.

Assessment, Data Analysis, and Action

All students will benefit from instruction guided by assessment results (formative, interim and summative) and continuous programmatic evaluation.

Wellness

All students will have an equitable opportunity to learn in a culturally responsive, physically, and emotionally healthy and safe environment.

Family and Community Engagement

All students will benefit from programs and services designed to inform and engage family and community partners.

Targeted Supports

Students with disabilities, students experiencing homelessness, African American, American Indian, and foster students will benefit from targeted programs and services that leverage their assets, affirm their identities, and address their needs to close achievement, opportunity, and relationship gaps.

Graduate Profile

Each year, nearly 5,000 students graduate from District high schools. A District graduate is prepared to successfully demonstrate six critical skills that the District's community believes are important for success in college, career, and life: creative problem-solving; self-awareness, self-reliance, and self-discipline; technical literacy; communication and collaboration; community engagement; and integrity.

Overview of the Financial Statements

This annual report consists of three parts: (1) management's discussion and analysis (this section); (2) the financial statements; and (3) required supplementary information.

The remainder of the MD&A highlights the structure and contents of each of the statements.

The financial statements include two kinds of statements that present different views of the District: district-wide financial statements and fund financial statements. The financial statements also include notes that explain some of the information in the statements and provide more detail.

The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial position. The Statement of Net Position includes all the District's assets and liabilities and deferred outflows and inflows of resources. All current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The District's activities are divided into two categories:

- **Governmental activities** – Most of the District's basic services are included here, such as regular and special education, operations, and administration. State support from Local Control Funding Formula (LCFF) and categorical apportionments finance most of these activities.
- **Business-type activities** – The District does not currently have any business-type activities.

These two financial statements start on page 16.

The remaining statements are fund financial statements that report on the District's operations in more detail than the district-wide statements. These statements begin on page 18.

The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

District-wide Financial Condition

The Statement of Net Position is a district-wide financial statement that reports all that the District owns (assets) and owes (liabilities). Net position is one way to measure the District's financial health. Over time, increases or decreases in the District's net position are one indicator of whether its financial position is improving or declining.

Fiscal year 2001-2002 was the first year the District accounted for the value of capital assets and included these values as part of the financial statements. Capital assets include land, buildings, site improvements, equipment, and work in progress. The book value of all district assets including buildings and equipment, and related depreciation, are presented in this financial statement. Land is accounted for at purchase cost, not market value, and is not depreciated. School buildings are valued at their historical construction cost less depreciation.

Comparative financial information as of June 30 from the Statement of Net Position is summarized in the following table:

| | June 30, 2023 | June 30, 2022 | Variance | % Difference |
|---|-----------------|-----------------|-----------------|--------------|
| Capital Assets | \$921,300,125 | \$891,800,810 | \$29,499,315 | 3% |
| Other Assets | \$868,644,347 | \$669,899,052 | \$198,745,295 | 30% |
| Total Assets | \$1,789,944,472 | \$1,561,699,862 | \$228,244,610 | 15% |
| | | | | |
| Deferred Outflows of Resources | \$238,226,448 | \$141,725,701 | \$96,500,747 | 68% |
| | | | | |
| Current and Other Liabilities | \$120,868,835 | \$168,313,253 | (\$47,444,418) | -28% |
| Long-Term Liabilities | \$1,292,996,906 | \$907,037,060 | \$385,959,846 | 43% |
| Total Liabilities | \$1,413,865,741 | \$1,075,350,313 | \$338,515,428 | 31% |
| | | | | |
| Deferred Inflows of Resources | \$123,001,000 | \$336,663,000 | (\$213,662,000) | -63% |
| | | | | |
| Net Investment in Capital Assets (net of related debt) | \$517,770,257 | \$502,518,091 | \$15,252,166 | 3% |
| Restricted Net Position | \$410,706,589 | \$274,326,846 | \$136,379,743 | 50% |
| Unrestricted Net Position | (\$437,172,667) | (\$485,432,687) | \$48,260,020 | 10% |
| | | | | |
| Total Net Position | \$491,304,179 | \$291,412,250 | \$199,891,929 | 69% |

At the end of fiscal year 2022-2023, the District had a total capital asset value of \$1,730,022,146. Total accumulated depreciation amounted to \$808,722,021. Net capital assets totaled \$921,300,125, an increase of \$29,499,315 from the prior year. This is a result of more capital projects being completed using Measure M General Obligation Bond proceeds.

Other assets include cash, investments, receivables, prepaid expenses, and stores inventory. A net increase in other assets of \$198,745,295 as compared with the prior year is mostly a result of increased cash in the County Treasury for the General, Cafeteria, and Capital Facilities Funds from increased one-time revenues, Universal meals funding, and developer fee collections, as well as increased cash on deposit with a fiscal agent from the proceeds of bond sales.

District-wide Financial Condition (Continued)

Current and other liabilities include accounts payable and unearned revenue, which decreased \$47,444,418 from the prior year mainly from a reduction in outstanding accounts payable at year end.

The District ended the year with a total of \$1,413,865,741 in outstanding obligations. The net increase in total liabilities of \$338,515,428 was from additions to long-term liabilities: issuance of \$132.4 million in general obligation bonds and a \$265.7 million increase in net pension liabilities, determined by an actuarial valuation of the District's proportionate share of the State's pension liabilities.

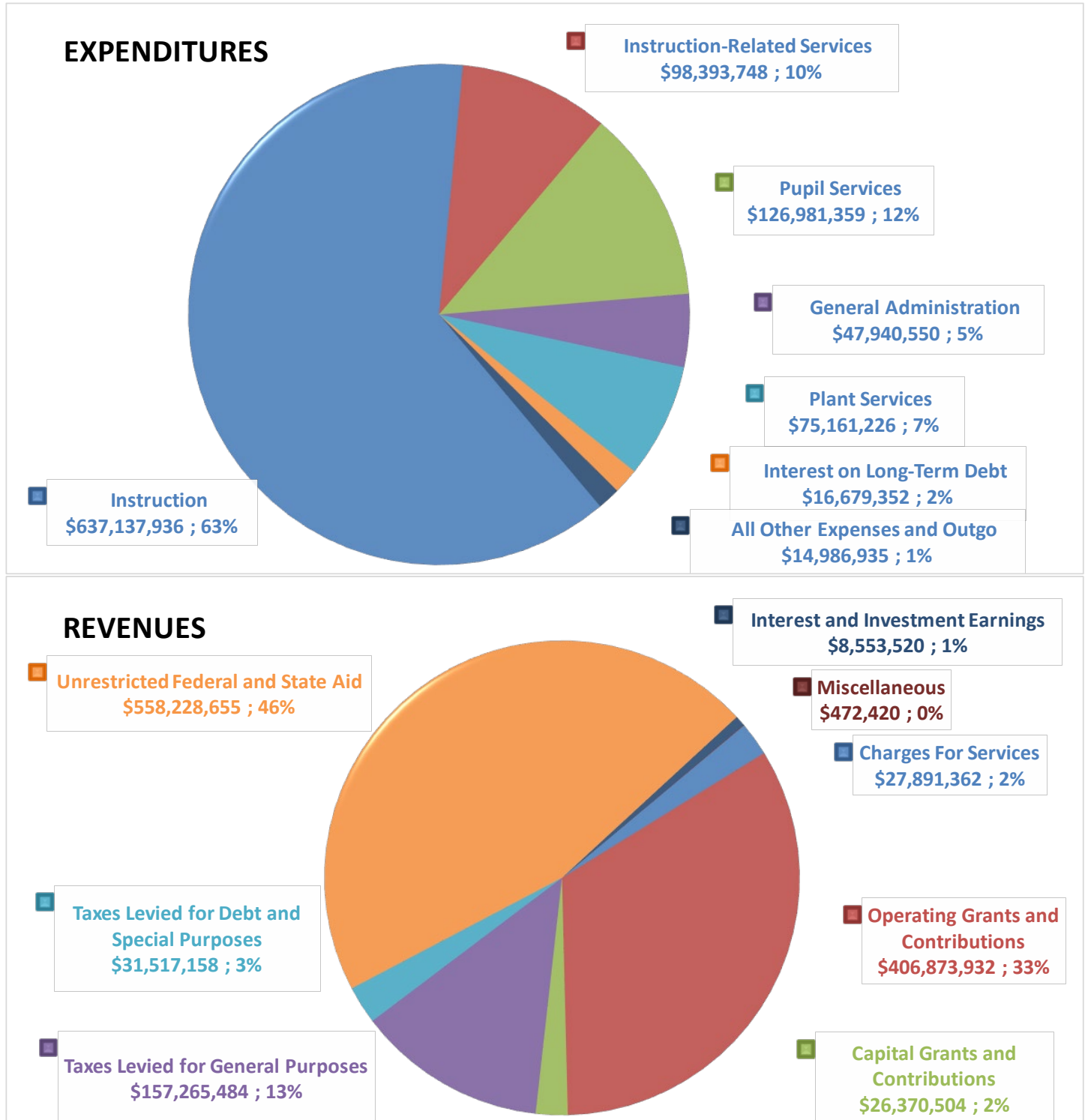
The Statement of Activities is a district-wide financial statement that reports the District's cost of instruction and other district activities, and the resources that fund individual and general activities of the District. Comparative financial information for the year ended June 30 is presented in the following table:

| | June 30, 2023 | June 30, 2022 | Variance | % Difference |
|--|-----------------|-----------------|---------------|--------------|
| Expenses | | | | |
| Governmental Activities: | | | | |
| Instruction | \$637,137,936 | \$530,548,099 | \$106,589,837 | 20% |
| Instruction-Related Services | \$98,393,748 | \$79,340,729 | \$19,053,019 | 24% |
| Pupil Services | \$126,981,359 | \$108,272,462 | \$18,708,897 | 17% |
| General Administration | \$47,940,550 | \$41,829,919 | \$6,110,631 | 15% |
| Plant Services | \$75,161,226 | \$63,475,021 | \$11,686,205 | 18% |
| Interest on Long-Term Debt | \$16,679,352 | \$16,601,512 | \$77,840 | 0% |
| All Other Expenses and Outgo | \$14,986,935 | \$10,754,938 | \$4,231,997 | 39% |
| Total Governmental Activity Expenses | \$1,017,281,106 | \$850,822,680 | \$166,458,426 | 20% |
| | | | | |
| Revenues | | | | |
| Charges for Services | \$27,891,362 | \$25,359,261 | \$2,532,101 | 10% |
| Operating Grants and Contributions | \$406,873,932 | \$299,074,593 | \$107,799,339 | 36% |
| Capital Grants and Contributions | \$26,370,504 | \$23,796,654 | \$2,573,850 | 11% |
| Taxes Levied for General Purposes | \$157,265,484 | \$155,758,539 | \$1,506,945 | 1% |
| Taxes Levied for Debt and Special Purposes | \$31,517,158 | \$29,606,211 | \$1,910,947 | 6% |
| Unrestricted Federal and State Aid | \$558,228,655 | \$476,188,650 | \$82,040,005 | 17% |
| Interest and Investment Earnings | \$8,553,520 | \$1,598,739 | \$6,954,781 | 435% |
| Miscellaneous | \$472,420 | \$6,771,392 | (\$6,298,972) | -93% |
| Total Revenues | \$1,217,173,035 | \$1,018,154,039 | \$199,018,996 | 20% |
| | | | | |
| Change in Net Position | \$199,891,929 | \$167,331,359 | \$32,560,570 | 19% |

District-wide Financial Condition (Continued)

The District overall experienced a \$199,891,929 increase in net position. This was a \$32,560,570 increase from the prior year's change in net position. Total revenues increased 20%, or \$199,018,996, as compared to 2021-2022, while total expenditures also increased by 20%, or \$166,458,426.

This year's increases in spending in all functional categories is attributed to overall increases in funding and the proportionate share of negotiated compensation increases for all employees. The charts below show the percentage share of expenditures by function and revenues by source as shown in the Statement of Activities.



Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds. A fund consists of a self-balancing set of accounts that the District uses to track specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for specific purposes (such as cafeteria funds) or to show that it is properly using certain revenues (such as community facility funds).
- The District has three kinds of funds:
 - Governmental Funds - Most of the District's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out; and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, the District provides additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
 - Proprietary Funds - Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. Enterprise funds (one type of proprietary fund) are the same as business-type activities, but provide more detail and additional information, such as cash flows. The District does not currently have any business-type activities. Internal service funds (another type of proprietary fund) are used to report activities that provide supplies and services for the District's other programs and activities. The District currently has one internal service fund, the Self-Insurance Fund.
 - Fiduciary Funds - The District is the trustee, or fiduciary, for assets that belong to others, such as the Scholarship Fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

General Fund Financial and Budgetary Highlights

The General Fund accounts for the primary operations of the District. The District's initial budget is adopted by July 1. Over the course of the year, the District's budget is revised several times to account for revised and new categorical funding appropriations and related expenditures, and to update budgets for prior year carryover amounts. The budget may also be revised to reflect mid-year changes to the State Budget which affect district funding. Additionally, the District is required to prepare expenditure reports and must include multiyear projections at least twice a year.

The Board of Education receives and approves these reports in a public meeting at interim periods throughout each year. The information is also made publicly available on the District's website and is communicated with bargaining partners individually and through a collective body representing all bargaining units called Partners in Education (PIE). The reported information assists the Board of Education in setting budget priorities and policy.

The following table summarizes the General Fund budget to actual information for the year ended June 30, 2023:

| | Adopted Budget | Year End Budget | Actual |
|--------------------------------------|-----------------------|------------------------|-----------------|
| Total Revenues | \$862,011,549 | \$1,195,889,336 | \$1,067,364,783 |
| Total Expenditures | \$881,152,241 | \$1,154,011,268 | \$965,617,473 |
| Total Other Financing Sources/(Uses) | \$699,031 | \$699,031 | \$1,139,985 |

The net revenue increase between Adopted and Year End Budget was \$333,877,787 resulting from current year budgets for categorical funds, which are budgeted as grant award documents are received, including one-time resources. Also, the budgets for prior year unspent restricted and unrestricted program funds (carryover) are appropriated mid-year.

The net increase to the total expenditure budget between Adopted and Year End Budget was \$272,859,027, due to revisions to set up expenditures related to the categorical program funds, which are budgeted after July 1 as grant award documents are received and school site plans are approved, and collective bargaining agreements negotiated during the year.

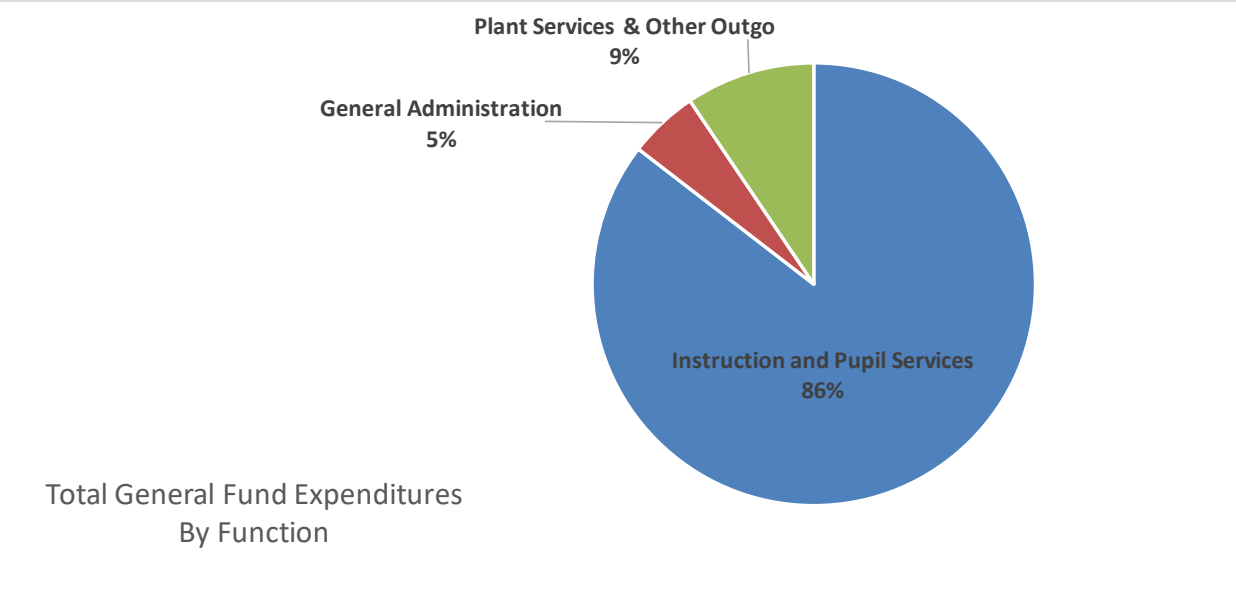
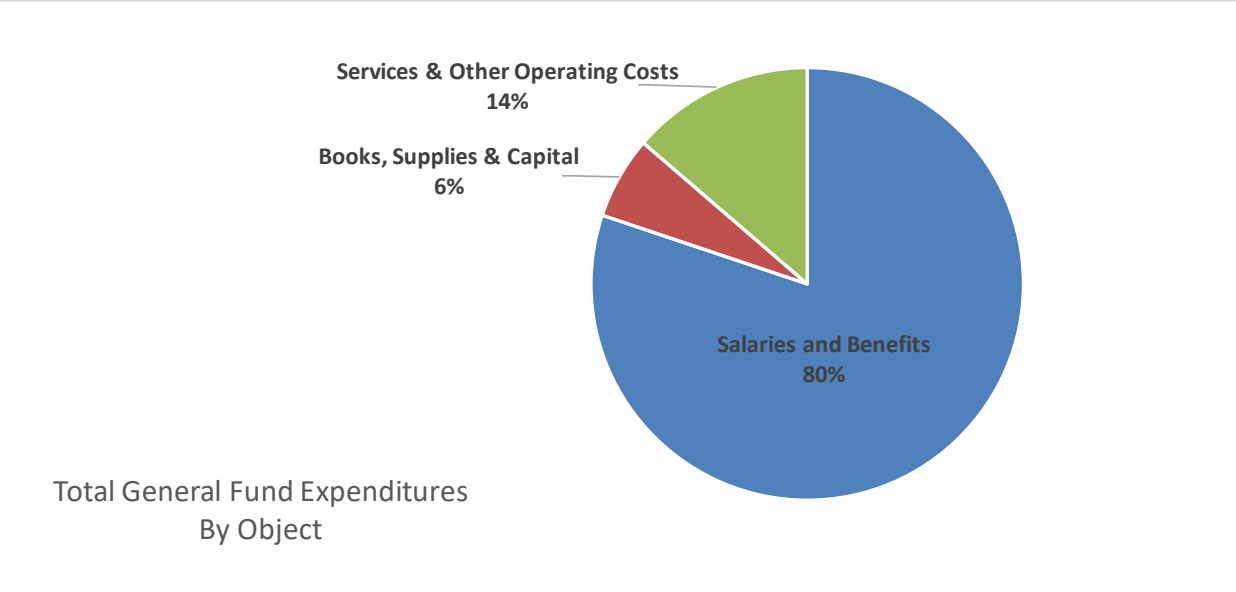
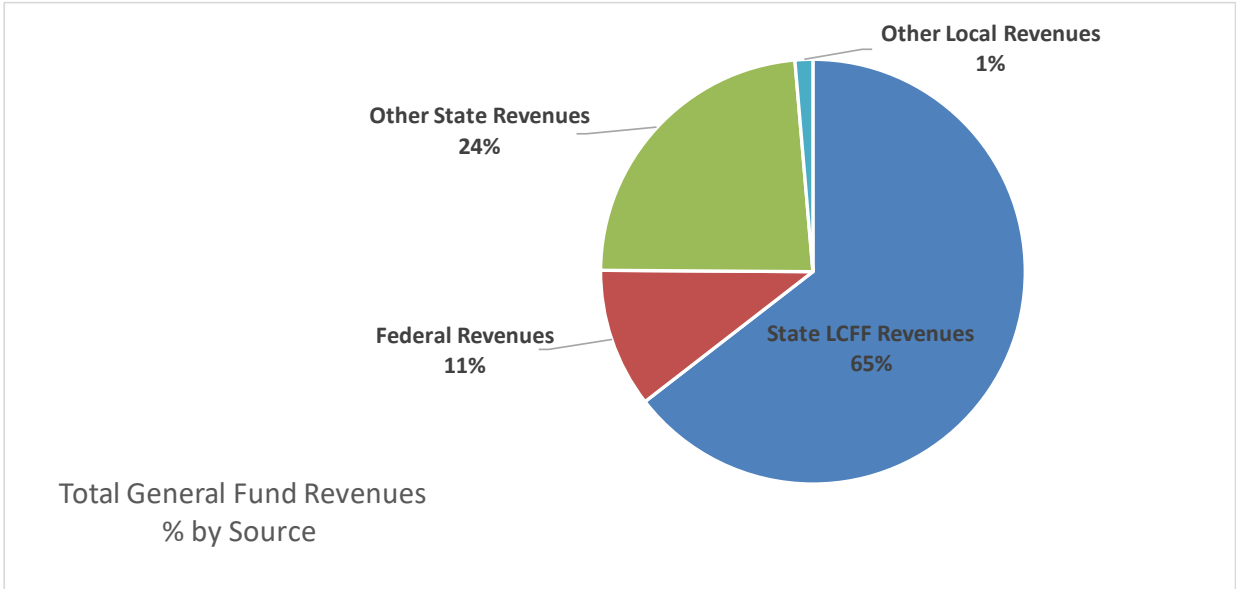
Actual revenues were \$128,524,553, or 11%, below the Year End Budget, due to the timing of revenue recognition for unearned revenue and multiyear awards that carryover into the next fiscal year. Actual expenditures were \$188,393,795, or 16%, below Year End Budget, due to unspent categorical revenue and one-time resources with multiyear expenditure periods that were budgeted to be spent in 2022-2023.

The following table summarizes the General Fund financial statements for the year ended June 30, 2023:

| | |
|---------------------------------------|-----------------|
| Total Revenues | \$1,067,364,784 |
| Total Expenditures | \$965,617,473 |
| Total Other Financing Sources/ (Uses) | \$1,139,985 |
| Net Change | \$102,887,295 |

The charts on the following page further detail the percentage distribution of General Fund revenue sources and expenditure types for 2022-2023.

General Fund Financial and Budgetary Highlights (Continued)



District Reserves and Net Ending Balance

Revenues that have not been expended during a budget year are carried over for expenditure in the subsequent year and are identified as the District’s “Net Ending Balance.” Included within the projected net ending balance is a “reserve for economic uncertainties.” The State requires districts of our size to retain an amount equal to 2% of our budgeted expenditures to cover unforeseen shortfalls in revenues or expenditures greater than budgeted. Also included in the net ending balance are carryover balances that originated from sources that can only be used for specific purposes. These “restricted” resources can only be spent on the purposes determined by the grantor, and the balances in these accounts carry the same restrictions as the originating revenue.

The District also has the option of committing or assigning the ending balance. Committing funds requires the Board of Education to designate the funds for any purpose by a majority vote at a Board meeting. The Board of Education approved Resolution No. 94, 2022-23, authorizing the commitment of General Fund ending fund balance for specific purposes on June 27, 2023. Once the funds are committed, the amounts cannot be used for any other purpose unless the Board takes action to remove or change the constraints for the committed funds. Assigned ending balances are constrained by the District’s intent but are neither restricted nor committed. An example of assignment is designating the ending balance to be used for a future textbook adoption.

The chart below represents the District’s financial analysis of its Governmental and Proprietary Funds:

| Ending Fund Balances | June 30, 2023 | June 30, 2022 | Variance |
|--|---------------|---------------|---------------|
| Fund 01 General | \$293,930,801 | \$191,043,506 | \$102,887,295 |
| Fund 08 Student Activity | \$6,047,301 | \$5,829,415 | \$217,886 |
| Fund 09 Charter Schools | \$5,988,667 | \$6,081,985 | (\$93,318) |
| Fund 11 Adult Education | \$4,168,366 | \$4,455,973 | (\$287,607) |
| Fund 12 Child Development | \$290,509 | \$289,908 | \$601 |
| Fund 13 Cafeteria | \$26,825,544 | \$16,336,472 | \$10,489,072 |
| Fund 21 Building | \$223,677,362 | \$118,713,244 | \$104,964,118 |
| Fund 25 Capital Facilities | \$70,861,793 | \$42,402,070 | \$28,459,723 |
| Fund 35 County School Facilities | \$32,630,848 | \$28,980,679 | \$3,650,169 |
| Fund 40 Special Reserve for Capital Outlay | \$989,319 | \$2,290,065 | (\$1,300,746) |
| Fund 49 Capital Projects | \$40,811,298 | \$45,970,075 | (\$5,158,777) |
| Fund 51 Bond Interest and Redemption | \$17,096,138 | \$16,896,962 | \$199,176 |
| Fund 52 Debt Service | \$20,926,775 | \$18,539,451 | \$2,387,324 |
| Fund 67 Self Insurance | \$6,576,305 | \$7,364,216 | (\$787,911) |

Capital Projects and General Obligation Bond Funds

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

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

From November 1998 through November 2008, the District issued five series of special tax bonds totaling over \$153 million pursuant to the 1998 Authorization. In 2012, the Board of Education approved the sale of Special Tax Refunding Bonds. The refunding (commonly referred to as refinancing) was an opportunity for significant debt service savings from historically low municipal bond rates while certain outstanding bonds were callable for the first time in the CFD's history. The total principal amount of outstanding special tax bonds paid by the special tax levied on taxable land in the District is \$77,511,133.

On November 8, 2016, voters approved the District's first local general obligation bond, Measure M, a \$476 million bond program intended to provide funds for school modernization and construction projects. Proceeds from the sale of the bonds help provide critically needed funds to repair, remodel or build school facilities within the District. Measure M is a ten-year bond program, with bond sales held on a biennial basis. The fourth and final series of the authorization, Series 4 (2023) bonds were issued in June 2023, in the amount of \$132.4 million.

The majority of the District's capital assets are its land and buildings. Buildings comprise approximately 56% of the total capital assets, net of accumulated depreciation. The work in progress on District buildings, i.e., modernizations as well as new construction, makes up approximately 18%, land is nearly 18%, land improvements are 6%, and equipment is 3%.

District Indebtedness

As of June 30, 2023, the District incurred \$1,291,938,300 in long-term liabilities. Of this amount, \$431,600,000 are General Obligation Bonds backed by property tax increases voted on by District residents in 2016 (reported in the Bond Interest and Redemption Fund), and \$94,149,000 are Certificates of Participation.

Nearly 50% of the long-term debt is related to the investment in employees' post-retirement. The District offers post-retirement employee benefits (OPEB) to eligible retirees. The recognized total OPEB liability decreased by \$1,846,556 to \$9,778,339, while the net pension liability for State Teacher's and Public Employer's Retirement Funds increased by \$265,694,000 to \$629,349,000.

Other Post-Retirement Employee Benefits (OPEB)

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

Financial Outlook

In past years, the District implemented multi-level reforms and innovative strategies to ensure the District has both the financial means and the staffing resources required to meet its high-quality educational goals as well as professional development objectives. The District's Board, Administration, and employee groups agreed on the following principles pertaining to budgetary decisions and fiscal solvency, which continued through 2022-2023:

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

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

Issues facing the District in the years ahead include, but are not limited to, increasing operating expenditures such as mandated pension contributions and special education growth, facilities planning for program expansion, staffing shortages in certain positions, spending outstanding balances of numerous one-time resources received in the past several years, and realigning expenditures to maximize available resources to continue effective programs initially funded with one-time resources. The development of future budgets will be influenced by external variables such as economic indicators that define the statutory cost of living adjustment for our primary state funding sources, the State Budget, and enrollment changes.

The District's 2023-2024 First Interim multiyear projections indicate that the District will be able to meet its financial obligations for the current and subsequent two years, inclusive of commitments to improve total compensation for all employees. The District continues to collaborate with community partners and evaluate opportunities for improvement of its future financial outlook.

Contacting the District's Financial Management

If you have any questions regarding this report or need additional financial information, please contact Amari Watkins, Chief Financial Officer, at (916) 686-7744, or email Finance and School Support at Finance@egusd.net.

BASIC FINANCIAL STATEMENTS

ELK GROVE UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2023

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| ASSETS | |
| Cash and investments (Note 2) | \$ 773,741,573 |
| Receivables | 90,843,014 |
| Prepaid expenses | 2,502,871 |
| Stores inventory | 1,556,889 |
| Non-depreciable capital assets (Note 4) | 329,113,164 |
| Depreciable capital assets, net of accumulated depreciation (Note 4) | <u>592,186,961</u> |
| Total assets | <u>1,789,944,472</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred loss from refunding of debt | 4,532,049 |
| Deferred outflows of resources - OPEB (Note 10) | 775,316 |
| Deferred outflows of resources - pensions (Notes 8 and 9) | <u>232,919,083</u> |
| Total deferred outflows of resources | <u>238,226,448</u> |
| LIABILITIES | |
| Accounts payable | 94,112,718 |
| Unearned revenue | 24,322,175 |
| Unpaid claims and claim adjustment expenses (Note 5) | 2,433,942 |
| Long-term liabilities: | |
| Unpaid claims and claim adjustment expenses, less current portion (Note 5) | 1,058,606 |
| Due within one year (Note 6) | 34,151,984 |
| Due after one year (Note 6) | <u>1,257,786,316</u> |
| Total liabilities | <u>1,413,865,741</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows of resources - pensions (Notes 8 and 9) | <u>123,001,000</u> |
| NET POSITION | |
| Net investment in capital assets | 517,770,257 |
| Restricted: | |
| Legally restricted programs | 220,814,113 |
| Capital projects | 145,293,258 |
| Debt service | 38,022,913 |
| Self insurance | 6,576,305 |
| Unrestricted | <u>(437,172,667)</u> |
| Total net position | <u>\$ 491,304,179</u> |

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

ELK GROVE UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

| | | Program Revenues | | | Net (Expense) Revenues and Change in Net Position |
|---|-------------------------|----------------------------|--|--|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Governmental activities: | | | | | |
| Instruction | \$ 637,137,936 | \$ 15,962,412 | \$ 261,432,282 | \$ 26,370,504 | \$(333,372,738) |
| Instruction-related services: | | | | | |
| Supervision of instruction | 35,378,407 | 423,063 | 21,164,202 | - | (13,791,142) |
| Instructional library, media and technology | 5,162,773 | 6,465 | 600,967 | - | (4,555,341) |
| School site administration | 57,852,568 | 16,616 | 10,975,533 | - | (46,860,419) |
| Pupil services: | | | | | |
| Home-to-school transportation | 21,711,349 | (346,945) | 2,671,081 | - | (19,387,213) |
| Food services | 31,086,583 | 124,052 | 47,238,398 | - | 16,275,867 |
| All other pupil services | 74,183,427 | 428,211 | 30,110,598 | - | (43,644,618) |
| General administration: | | | | | |
| Data processing | 14,015,848 | 50 | 1,724,301 | - | (12,291,497) |
| All other general administration | 33,924,702 | (3,674) | 9,920,996 | - | (24,007,380) |
| Plant services | 75,161,226 | 1,162,341 | 5,499,599 | - | (68,499,286) |
| Ancillary services | 8,604,705 | - | 8,822,592 | - | 217,887 |
| Community services | 255,746 | - | 250,242 | - | (5,504) |
| Interest on long-term liabilities | 16,679,352 | - | - | - | (16,679,352) |
| Other outgo | 6,126,484 | 10,118,771 | 6,463,141 | - | 10,455,428 |
| Total governmental activities | <u>\$ 1,017,281,106</u> | <u>\$ 27,891,362</u> | <u>\$ 406,873,932</u> | <u>\$ 26,370,504</u> | <u>(556,145,308)</u> |
| General revenues: | | | | | |
| Taxes and subventions: | | | | | |
| Taxes levied for general purposes | | | | | 157,265,484 |
| Taxes levied for debt service | | | | | 31,426,247 |
| Taxes levied for other specific purposes | | | | | 90,911 |
| Federal and state aid not restricted to specific purposes | | | | | 558,228,655 |
| Interest and investment earnings | | | | | 8,553,520 |
| Interagency revenues | | | | | <u>472,420</u> |
| Total general revenues | | | | | <u>756,037,237</u> |
| Change in net position | | | | | 199,891,929 |
| Net position, July 1, 2022 | | | | | <u>291,412,250</u> |
| Net position, June 30, 2023 | | | | | <u>\$ 491,304,179</u> |

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

ELK GROVE UNIFIED SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

| | General Fund | Building Fund | All Non-Major Funds | Total Governmental Funds |
|--|-----------------------|-----------------------|---------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and investments: | | | | |
| Cash in County Treasury | \$ 314,237,248 | \$ 11,317,280 | \$ 172,210,574 | \$ 497,765,102 |
| Cash with Fiscal Agent | 1,126,031 | 216,525,667 | 38,417,137 | 256,068,835 |
| Cash on hand and in banks | 18,264 | - | 5,824,674 | 5,842,938 |
| Cash in revolving fund | 140,000 | - | 11,266 | 151,266 |
| Cash awaiting deposit | 2,199,609 | - | 2,596,944 | 4,796,553 |
| Receivables | 73,743,641 | 415,844 | 16,476,814 | 90,636,299 |
| Prepaid expenditures | 2,470,436 | - | 32,435 | 2,502,871 |
| Due from other funds | 1,892,060 | 98,043 | 756,504 | 2,746,607 |
| Stores inventory | 681,455 | - | 875,434 | 1,556,889 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total assets | <u>\$ 396,508,744</u> | <u>\$ 228,356,834</u> | <u>\$ 237,201,782</u> | <u>\$ 862,067,360</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 81,273,714 | \$ 4,600,248 | \$ 4,069,468 | \$ 89,943,430 |
| Unearned revenue | 19,756,625 | - | 4,565,550 | 24,322,175 |
| Due to other funds | 1,547,604 | 79,224 | 1,930,206 | 3,557,034 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | <u>102,577,943</u> | <u>4,679,472</u> | <u>10,565,224</u> | <u>117,822,639</u> |
| Fund balances: | | | | |
| Nonspendable | 3,291,891 | - | 919,135 | 4,211,026 |
| Restricted | 177,493,726 | 223,677,362 | 225,717,423 | 626,888,511 |
| Committed | 13,916,697 | - | - | 13,916,697 |
| Assigned | 32,119,993 | - | - | 32,119,993 |
| Unassigned | 67,108,494 | - | - | 67,108,494 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total fund balances | <u>293,930,801</u> | <u>223,677,362</u> | <u>226,636,558</u> | <u>744,244,721</u> |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities and fund balances | <u>\$ 396,508,744</u> | <u>\$ 228,356,834</u> | <u>\$ 237,201,782</u> | <u>\$ 862,067,360</u> |

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

ELK GROVE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2023

| | | |
|--|----------------------|-----------------|
| Total fund balances - Governmental Funds | | \$ 744,244,721 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$1,730,022,146 and the accumulated depreciation is \$808,722,021 (Note 4). | | |
| | | 921,300,125 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2023 consisted of (Note 6): | | |
| Mello-Roos bonds | \$ (77,511,133) | |
| General Obligation Bonds | (431,600,000) | |
| Accreted interest on bonds | (1,375,972) | |
| Unamortized premiums | (17,616,146) | |
| Net pension liability (Notes 8 and 9) | (629,349,000) | |
| Lease-leaseback | (10,872,000) | |
| Lease liabilities | (484,565) | |
| Certificates of Participation | (94,140,000) | |
| Total OPEB liability (Note 10) | (9,778,339) | |
| Compensated absences | <u>(19,211,145)</u> | |
| | | (1,291,938,300) |
| Losses on the refunding of debt are recognized as expenditures in the period they are incurred. In the government-wide statements, they are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding debt. | | |
| | | 4,532,049 |
| Unmatured interest is not recognized until it is due and, therefore, is not accrued as a payable in governmental funds. | | |
| | | (4,104,120) |
| In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported (Notes 8 and 9): | | |
| Deferred outflows of resources relating to pensions | 232,919,083 | |
| Deferred inflows of resources relating to pensions | <u>(123,001,000)</u> | |
| | | 109,918,083 |

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2023

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

Deferred outflows of resources relating to OPEB \$ 775,316

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Net position for the Self-Insurance Fund is: 6,576,305

Total net position - governmental activities \$ 491,304,179

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

ELK GROVE UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

| | General Fund | Building Fund | All Non-Major Funds | Total Governmental Funds |
|---|-----------------------|-----------------------|---------------------------|--------------------------------|
| Revenues: | | | | |
| Local Control Funding Formula: | | | | |
| State apportionment | \$ 534,643,166 | \$ - | \$ - | \$ 534,643,166 |
| Local sources | <u>154,068,095</u> | <u>-</u> | <u>3,196,148</u> | <u>157,264,243</u> |
| Total local control funding formula | <u>688,711,261</u> | <u>-</u> | <u>3,196,148</u> | <u>691,907,409</u> |
| Federal sources | 112,963,712 | - | 28,758,869 | 141,722,581 |
| Other state sources | 251,212,581 | - | 49,195,551 | 300,408,132 |
| Other local sources | <u>14,477,229</u> | <u>3,657,741</u> | <u>74,586,928</u> | <u>92,721,898</u> |
| Total revenues | <u>1,067,364,783</u> | <u>3,657,741</u> | <u>155,737,496</u> | <u>1,226,760,020</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Certificated salaries | 399,401,295 | - | 5,676,745 | 405,078,040 |
| Classified salaries | 126,633,769 | 77,881 | 15,503,054 | 142,214,704 |
| Employee benefits | 247,913,829 | 8,445 | 10,365,858 | 258,288,132 |
| Books and supplies | 41,884,110 | 16,135 | 23,786,194 | 65,686,439 |
| Contract services and operating expenditures | 125,671,287 | 984,039 | 3,082,569 | 129,737,895 |
| Other outgo | 6,035,612 | - | 90,872 | 6,126,484 |
| Capital outlay | 17,578,460 | 50,259,492 | 8,496,601 | 76,334,553 |
| Debt service: | | | | |
| Principal retirement | 470,460 | - | 17,523,000 | 17,993,460 |
| Interest | <u>28,651</u> | <u>-</u> | <u>16,343,167</u> | <u>16,371,818</u> |
| Total expenditures | <u>965,617,473</u> | <u>51,345,992</u> | <u>100,868,060</u> | <u>1,117,831,525</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>101,747,310</u> | <u>(47,688,251)</u> | <u>54,869,436</u> | <u>108,928,495</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 1,320,108 | 20,261,526 | 2,921,511 | 24,503,145 |
| Transfers out | (180,123) | (9,157) | (24,313,865) | (24,503,145) |
| Proceeds from sale of bonds | - | 132,400,000 | - | 132,400,000 |
| Premium on issuance of bond | <u>-</u> | <u>-</u> | <u>5,086,421</u> | <u>5,086,421</u> |
| Total other financing sources (uses) | <u>1,139,985</u> | <u>152,652,369</u> | <u>(16,305,933)</u> | <u>137,486,421</u> |
| Net change in fund balances | 102,887,295 | 104,964,118 | 38,563,503 | 246,414,916 |
| Fund balances, July 1, 2022 | <u>191,043,506</u> | <u>118,713,244</u> | <u>188,073,055</u> | <u>497,829,805</u> |
| Fund balances, June 30, 2023 | <u>\$ 293,930,801</u> | <u>\$ 223,677,362</u> | <u>\$ 226,636,558</u> | <u>\$ 744,244,721</u> |

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

ELK GROVE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS –
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Net change in fund balances - Total Governmental Funds \$ 246,414,916

Amounts reported for governmental activities in the statement of
are different because:

Acquisition of capital assets is an expenditure in the
governmental funds, but increases capital assets in the
statement of net position (Note 4). \$ 78,890,426

Depreciation of capital assets is an expense that is not recorded in
governmental funds (Note 4). (49,391,111)

Repayment of principal on long-term liabilities is an
expenditure in the governmental funds, but decreases the
long-term liabilities in the statement of net position (Note 6). 17,993,460

In governmental funds, proceeds from debt are recognized as
Other Financing Sources. In the government-wide
statements, proceeds from debt are reported as increases in
liabilities. Amounts recognized in governmental funds as
proceeds from debt, net of issue premium, were (Note 6): (132,400,000)

Accreted interest on capital appreciation bonds is recognized in
period it is incurred. In governmental funds it is only recognized
when it is due (Note 6). (152,905)

Debt issue premiums and discounts are recognized as
revenues in the period they are incurred. In government-wide
statements, issue premiums are amortized over the life of the
debt (Note 6). (5,011,337)

Post employment benefits other than pension (OPEB) are
recognized when employer contributions are made in the
governmental funds, and in the statement of activities are
recognized on the accrual basis (Notes 6 and 10). 1,765,575

In the statement of activities, expenses related to compensated
absences are measured by the amounts earned during the
year. In the governmental funds, expenditures are measured
by the amount of financial resources used (Note 6). (2,027,153)

In governmental funds, pension costs are recognized when
employer contributions are made. In the statement of
activities, pension costs are recognized on the accrual basis.
This year, the difference between accrual-basis pension
costs and actual employer contributions was: 44,827,683

Interest on long-term liabilities is recognized in the period
incurred, in governmental funds it is recognized when due. 48,241

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS –
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

| | |
|---|------------------------|
| Losses on the refunding of debt are recognized as expenditures in the period they are incurred. In the government-wide statements, they are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding debt. | \$ (277,955) |
| Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Change in net position for the Self-Insurance Fund is: | <u>(787,911)</u> |
| | <u>\$ (46,522,987)</u> |
| Change in net position of governmental activities | <u>\$ 199,891,929</u> |

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

ELK GROVE UNIFIED SCHOOL DISTRICT
STATEMENT OF FUND NET POSITION – PROPRIETARY FUND
SELF-INSURANCE FUND
June 30, 2023

ASSETS

Current assets:

Cash and investments:

| | |
|--------------------------------|----------------|
| Cash in County Treasury | \$ 8,479,465 |
| Cash with Fiscal Agent/Trustee | 637,414 |
| Receivables | 206,715 |
| Due from other funds | <u>810,427</u> |

Total current assets 10,134,021

LIABILITIES

Current liabilities:

| | |
|---|------------------|
| Accounts payable | 65,168 |
| Current unpaid claims and claims adjustment expense | <u>2,433,942</u> |

Total current liabilities 2,499,110

Unpaid claims and claim adjustment expenses, less current portion 1,058,606

Total liabilities 3,557,716

NET POSITION

Unrestricted \$ 6,576,305

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

ELK GROVE UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN
FUND NET POSITION – PROPRIETARY FUND
SELF-INSURANCE FUND
For the Year Ended June 30, 2023

| | |
|---|----------------------------|
| Operating revenues: | |
| Other local revenue | \$ 810,427 |
| Operating expenses: | |
| Classified salaries | \$ 218,627 |
| Employee benefits | 108,289 |
| Provision for unpaid claims and claim adjustment expenses | <u>1,504,933</u> |
| Total operating expense | <u>1,831,849</u> |
| Operating loss | (1,021,422) |
| Non-operating income: | |
| Interest income | <u>233,511</u> |
| Change in net position | (787,911) |
| Net position, July 1, 2022 | <u>7,364,216</u> |
| Net position, June 30, 2023 | <u><u>\$ 6,576,305</u></u> |

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

ELK GROVE UNIFIED SCHOOL DISTRICT
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
SELF-INSURANCE FUND
For the Year Ended June 30, 2023

| | |
|---|-----------------------|
| Cash flows from operating activities: | |
| Cash paid for salaries, benefits and services | \$ (326,916) |
| Cash paid for services and supplies | (1,605,350) |
| Cash paid for claims | <u>(141,689)</u> |
| Net cash used in operating activities | <u>(2,073,955)</u> |
| Cash provided by investing activities: | |
| Interest income | <u>233,511</u> |
| Change in cash and investments | (1,840,444) |
| Cash and investments, July 1, 2022 | <u>10,957,323</u> |
| Cash and investments, June 30, 2023 | <u>\$ 9,116,879</u> |
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss | <u>\$ (1,021,422)</u> |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Decrease in: | |
| Receivables | (126,805) |
| Due from other funds | (810,427) |
| Increase (decrease) in: | |
| Accounts payable | 26,388 |
| Unpaid claims and claim adjustment expenses | <u>(141,689)</u> |
| Total adjustments | <u>(1,052,533)</u> |
| Net cash used in operating activities | <u>\$ (2,073,955)</u> |

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

ELK GROVE UNIFIED SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
TRUST FUND
June 30, 2023

| | Scholarship Fund |
|-----------------------------------|-------------------------|
| ASSETS | |
| Cash on hand and in bank (Note 2) | \$ <u>53,653</u> |
| NET POSITION | |
| Restricted for scholarship funds | \$ <u><u>53,653</u></u> |

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

ELK GROVE UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
TRUST FUND
For the Year Ended June 30, 2023

| | Scholarship Fund |
|-----------------------------|-------------------------|
| Additions: | |
| Other local source | \$ <u>54</u> |
| Change in net position | 54 |
| Net position, July 1, 2022 | <u>53,599</u> |
| Net position, June 30, 2023 | <u><u>\$ 53,653</u></u> |

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Elk Grove Unified School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

Reporting Entity: The Board of Education is the level of government which has governance responsibilities over all activities related to public school education in the Elk Grove Unified School District. The Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board since Board members have decision-making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

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

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

A - Manifestations of Oversight

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

B - Accounting for Fiscal Matters

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C - Scope of Public Service and Financial Presentation

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

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

Basis of Presentation - Government-Wide Financial Statements: The Statement of Net Position and the Statement of Activities displays information about the reporting government as a whole. Custodial funds are not included in the government-wide financial statements.

The Statement of Net Position and the Statement of Activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Codification Section (GASB Cod. Sec.) N50.118-.121.

Program revenues: Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Allocation of indirect expenses: The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term liabilities is considered an indirect expense and is reported separately on the Statement of Activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting: The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

A - Major Funds

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

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

B - Other Funds

Special Revenue Funds: Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. This includes the Student Activity, Charter Schools, Adult Education, Child Development, Cafeteria and Deferred Maintenance Funds.

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

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

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

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

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting: Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Accrual: Governmental activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual: The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible in the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term liabilities, if any, is recognized when due.

Budgets and Budgetary Accounting: By state law, the Board of Education must adopt a final budget by July 1. A public hearing is conducted to receive comments prior to adoption. The Board of Education complied with these requirements.

Receivables: Receivables are made up principally of amounts due from the State of California and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2023.

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

Capital Assets: Capital assets purchased or acquired, with an original cost of \$10,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at acquisition value for the contributed asset. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 4 - 30 years depending on asset types.

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

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the net pension liability reported in the Statement of Net Position.

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

| | <u>STRP</u> | <u>PERF B</u> | <u>Total</u> |
|--------------------------------|-----------------------|-----------------------|-----------------------|
| Deferred outflows of resources | <u>\$ 152,408,291</u> | <u>\$ 80,510,792</u> | <u>\$ 232,919,083</u> |
| Deferred inflows of resources | <u>\$ 113,043,000</u> | <u>\$ 9,958,000</u> | <u>\$ 123,001,000</u> |
| Net pension liability | <u>\$ 384,139,000</u> | <u>\$ 245,210,000</u> | <u>\$ 629,349,000</u> |
| Pension expense | <u>\$ 52,428,481</u> | <u>\$ 32,005,798</u> | <u>\$ 84,434,279</u> |

Compensated Absences: Compensated absences benefits totaling \$19,211,145 are recorded as a liability of the District.

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

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

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

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position: Net position is displayed in three components:

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

2 - Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriate for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represents the portion of net position restricted to specific program expenditures. The restriction for capital projects represents the portion of net position restricted for capital projects. The restriction for debt service represents the portion of net position available for the retirement of debt. It is the District's policy to use restricted net position first when allowable expenditures are incurred. The restriction for trust fund represents the portion of net position restricted for scholarships.

3 - Unrestricted Net Position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

Fund Balance Classifications: Governmental Accounting Standards Board Codification Sections 1300 and 1800, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB Cod. Sec. 1300 and 1800) implements a five-tier fund balance classification hierarchy that depicts the extent to which a government is bound by spending constraints imposed on the use of its resources. The five classifications, discussed in more detail below, are nonspendable, restricted, committed, assigned and unassigned.

A - Nonspendable Fund Balance: The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash, prepaid expenditures and stores inventory.

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

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

D - Assigned Fund Balance: The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate personnel within the District to assign fund balances, however, as of June 30, 2023, no such designation has occurred.

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

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

While GASB Cod. Sec. 1300 and 1800 do not require Districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2023, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

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

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

New Accounting Pronouncements: In May 2020, the GASB issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements. GASB 96 defines a subscription-based information technology arrangement and requires the recognition of a right to use subscription asset and corresponding subscription liability. This statement was effective for fiscal years beginning after June 15, 2022. There was no impact to the District's July 1, 2022 net position as a result of the implementation of GASB Statement No. 96.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2023 consisted of the following:

| | <u>Governmental Activities</u> | <u>Fiduciary Activities</u> |
|---------------------------|------------------------------------|---------------------------------|
| Pooled Funds: | | |
| Cash in County Treasury | \$ 506,244,567 | \$ - |
| Cash awaiting deposit | 4,796,553 | - |
| Cash with Fiscal Agent | 256,706,249 | - |
| Deposits: | | |
| Cash on hand and in banks | 5,842,938 | 53,653 |
| Revolving cash fund | <u>151,266</u> | <u>-</u> |
| Total | <u>\$ 773,741,573</u> | <u>\$ 53,653</u> |

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the interest bearing Sacramento County Treasury pooled investment fund. The District is considered to be an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

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

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2023, the carrying amount of the District's accounts was \$6,047,857 and the bank balance was \$3,555,592. \$250,000 of the bank balance was FDIC insured and \$3,305,592 remained uninsured, but collateralized.

Interest Rate Risk: The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2023, the District had no significant interest rate risk related to cash and investments held.

Credit Risk: The District has adopted the County Treasurer's formal investment policy that limits its investment choices other than the limitations of state law.

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2023 the District had no concentration of credit risk.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 3 - INTERFUND TRANSACTIONS

Interfund Activity: Transactions between funds of the District are recorded as interfund transfers, except for the Self-Insurance Fund activity which is recorded as income and expenditures of the Self-Insurance Fund and the General Fund, respectively. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables: Interfund receivable and payable balances at June 30, 2023 were as follows:

| <u>Fund</u> | <u>Interfund Receivables</u> | <u>Interfund Payables</u> |
|-------------------------|----------------------------------|-------------------------------|
| Major Funds: | | |
| General | \$ 1,892,060 | \$ 1,547,604 |
| Building | 98,043 | 79,224 |
| Non-Major Funds: | | |
| Charter Schools | 120,171 | 592,170 |
| Adult Education | 388,797 | 46,603 |
| Child Development | 177,356 | 167,517 |
| Cafeteria | 49,803 | 1,017,215 |
| Deferred Maintenance | 224 | 224 |
| State School Facilities | 8,589 | 106,302 |
| Capital Projects | 11,564 | 175 |
| Proprietary Fund: | | |
| Self-Insurance | 810,427 | - |
| Total | \$ 3,557,034 | \$ 3,557,034 |

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

Transfers: Transfers for the 2022-2023 fiscal year were as follows:

| | |
|--|----------------------|
| Transfer from the General Fund to the Child Development Fund for indirect costs. | \$ 180,123 |
| Transfer from the Adult Education Fund to the General Fund for indirect costs. | 151,717 |
| Transfer from the Child Development Fund to the General Fund for indirect costs. | 188,347 |
| Transfer from the Cafeteria Fund to the General Fund for indirect costs. | 980,044 |
| | |
| Transfer from the Building Fund to the State School Facilities Fund for school projects. | 9,157 |
| Transfer from the Capital Facilities Fund to the State School Facilities Fund for school projects. | 100,000 |
| Transfer from State School Facilities Fund to the Building Fund for school projects. | 20,261,526 |
| Transfer from State School Facilities Fund to the Capital Projects Fund for school projects. | 286,344 |
| Transfer from the Capital Projects Fund to the Mello-Roos Administrative Fund for excess tax correction. | 845,425 |
| Transfer from the Mello-Roos Administrative Fund to the Capital Projects Fund for excess tax correction. | <u>1,500,462</u> |
| | <u>\$ 24,503,145</u> |

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital assets for the year ended June 30, 2023 is shown below:

| | Balance July 1, <u>2022</u> | Transfers and <u>Additions</u> | Transfers and <u>Deletions</u> | Balance June 30, <u>2023</u> |
|--------------------------------|-----------------------------------|--------------------------------------|--------------------------------------|------------------------------------|
| Non-depreciable: | | | | |
| Land | \$ 161,257,886 | \$ - | \$ - | \$ 161,257,886 |
| Work-in-process | 158,404,835 | 56,397,810 | 46,947,367 | 167,855,278 |
| Depreciable: | | | | |
| Improvement of sites | 101,957,144 | 7,979,871 | 406,151 | 109,530,864 |
| Buildings | 1,180,365,440 | 51,235,180 | 915,267 | 1,230,685,353 |
| Equipment | <u>55,930,382</u> | <u>10,224,932</u> | <u>5,462,549</u> | <u>60,692,765</u> |
| Totals, at cost | <u>1,657,915,687</u> | <u>125,837,793</u> | <u>53,731,334</u> | <u>1,730,022,146</u> |
| Less accumulated depreciation: | | | | |
| Improvement of sites | (51,047,111) | (4,908,840) | (406,151) | (55,549,800) |
| Buildings | (676,190,921) | (40,708,823) | (915,267) | (715,984,477) |
| Equipment | <u>(38,876,845)</u> | <u>(3,773,448)</u> | <u>(5,462,549)</u> | <u>(37,187,744)</u> |
| Total accumulated depreciation | <u>(766,114,877)</u> | <u>(49,391,111)</u> | <u>(6,783,967)</u> | <u>(808,722,021)</u> |
| Capital assets, net | <u>\$ 891,800,810</u> | <u>\$ 76,446,682</u> | <u>\$ 46,947,367</u> | <u>\$ 921,300,125</u> |

Depreciation expense was charged to governmental activities as follows:

| | |
|-------------|----------------------|
| Instruction | <u>\$ 49,391,111</u> |
|-------------|----------------------|

At June 30, 2023, the District had outstanding construction contract commitments of approximately \$53.6 million.

NOTE 5 - SELF-INSURANCE

The District is self-insured for workers' compensation. For accounting and reporting purposes, the District has established a separate Self-Insurance Fund for workers' compensation. For the year ended June 30, 2023, the District provides coverage up to a maximum of \$500,000 for each workers' compensation claim. The District participates in a public entity risk pool for claims in excess of coverage provided by the Fund (Note 12). In each of the past three years settled claims did not exceed the coverage level provided by the Fund and no claims were made of the excess coverage. There has been no reduction in coverage since the prior year.

The claims liability of \$3,492,548 at June 30, 2023 was actuarially determined based on the requirements of Governmental Accounting Standards Statement No. 10. This liability was discounted using an expected future investment yield assumption of 0.5 percent.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 5 - SELF-INSURANCE (Continued)

Changes in the District's unpaid claims and claim adjustment expenses for the years ended June 30, 2023 and June 30, 2022 were as follows:

| | Unpaid Claims and Claim Adjustment Expenses <u>July 1</u> | Incurred <u>Claims</u> | Claims <u>Payments</u> | Unpaid Claims and Claim Adjustment Expenses <u>June 30</u> |
|-----------|---|---------------------------|---------------------------|--|
| 2022/2023 | \$ 3,634,237 | \$ 198,257 | \$ (339,946) | \$ 3,492,548 |
| 2021/2022 | \$ 4,440,121 | \$ (289,075) | \$ (516,809) | \$ 3,634,237 |

NOTE 6 - LONG-TERM LIABILITIES

Mello-Roos Bonds Payable: A summary of Mello-Roos Bonds payable at June 30, 2023 follows:

| <u>Series</u> | <u>Interest Rate</u> | <u>Original Maturity</u> | <u>Balance July 1, 2022</u> | <u>Current Year Issuance</u> | <u>Current Year Maturities</u> | <u>Balance June 30, 2023</u> |
|---------------|--------------------------|------------------------------|-------------------------------------|--------------------------------------|--|--------------------------------------|
| 1995 | 4.0 - 6.5% | 2024 | \$ 5,720,000 | \$ - | \$ 1,790,000 | \$ 3,930,000 |
| 2008 | 6.75% | 2036 | 651,133 | - | - | 651,133 |
| 2012 | 0.50-4.05% | 2033 | <u>76,765,000</u> | - | <u>3,835,000</u> | <u>72,930,000</u> |
| | | | <u>\$ 83,136,133</u> | <u>\$ -</u> | <u>\$ 5,625,000</u> | <u>\$ 77,511,133</u> |

The Series 1995, 2008, and 2012 Serial Bonds are authorized pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, and are payable from the proceeds of an annual Special Tax to be levied and collected from property within the District or from escrow accounts in the case of refunding bonds. The Special Tax is to be levied according to the rate and method of apportionment determined by a formula approved by the Board, as the legislative body of the District, and by the registered voters within the District (see Note 13). With the issuance of the 2016 Certificates of Participation in April 2016 the 2008 Mello-Roos Bonds were partially refunded. At June 30, 2023 \$651,133 is outstanding related to the 2008 Mello-Roos Bonds.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 6 - LONG-TERM LIABILITIES (Continued)

The annual requirements to amortize the Mello-Roos Bonds payable outstanding as of June 30, 2023 are as follows:

| Year Ending <u>June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|----------------------|----------------------|----------------------|
| 2024 | \$ 5,855,000 | \$ 2,576,024 | \$ 8,431,024 |
| 2025 | 6,100,000 | 2,327,925 | 8,427,925 |
| 2026 | 6,355,000 | 2,105,663 | 8,460,663 |
| 2027 | 6,545,000 | 1,912,162 | 8,457,162 |
| 2028 | 6,740,000 | 1,712,888 | 8,452,888 |
| 2029-2033 | 29,130,000 | 4,598,517 | 33,728,517 |
| 2034-2036 | <u>16,786,133</u> | <u>651,700</u> | <u>17,437,833</u> |
| | <u>\$ 77,511,133</u> | <u>\$ 15,884,879</u> | <u>\$ 93,396,012</u> |

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

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

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

In June 2023, the District issued Election of 2016, Series 2023 General Obligation bonds in the amount of \$132,400,000. The proceeds were used to fund specific school facilities projects within the district. The Bonds bear interest at rates ranging from 4.0% to 6.0% and are scheduled to mature through August 2046.

A summary of General Obligation Bonds payable as of June 30, 2023 are as follows:

| <u>Series</u> | <u>Interest Rate</u> | <u>Original Maturity</u> | <u>Balance July 1, 2022</u> | <u>Current Year Issuance</u> | <u>Current Year Maturities</u> | <u>Balance June 30, 2023</u> |
|---------------|----------------------|--------------------------|-----------------------------|------------------------------|--------------------------------|------------------------------|
| 2017 | 3.375-5.0% | 2047 | \$ 61,550,000 | \$ - | \$ - | \$ 61,550,000 |
| 2019 | 3.0-5.0% | 2049 | 107,200,000 | - | - | 107,200,000 |
| 2021 | 2.0% - 5.0% | 2046 | 140,500,000 | - | 10,050,000 | 130,450,000 |
| 2023 | 4.0%-6.0% | 2045 | <u>-</u> | <u>132,400,000</u> | <u>-</u> | <u>132,400,000</u> |
| | | | <u>\$309,250,000</u> | <u>\$ 132,400,000</u> | <u>\$ 10,050,000</u> | <u>\$ 431,600,000</u> |

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 6 - LONG-TERM LIABILITIES (Continued)

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

| Year Ending <u>June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|-----------------------|-----------------------|-----------------------|
| 2024 | \$ 6,250,000 | \$ 13,142,801 | \$ 19,392,801 |
| 2025 | 6,050,000 | 14,928,444 | 20,978,444 |
| 2026 | 2,865,000 | 14,705,569 | 17,570,569 |
| 2027 | 4,215,000 | 14,528,569 | 18,743,569 |
| 2028 | 5,610,000 | 14,282,944 | 19,892,944 |
| 2029-2033 | 47,370,000 | 65,586,794 | 112,956,794 |
| 2034-2038 | 83,400,000 | 53,727,159 | 137,127,159 |
| 2039-2043 | 128,795,000 | 37,423,044 | 166,218,044 |
| 2044-2048 | 133,660,000 | 12,753,631 | 146,413,631 |
| 2049 | <u>13,385,000</u> | <u>267,700</u> | <u>13,652,700</u> |
| | <u>\$ 431,600,000</u> | <u>\$ 241,346,654</u> | <u>\$ 672,946,654</u> |

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

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

| Year Ending <u>June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|----------------------|----------------------|-----------------------|
| 2024 | \$ 1,460,000 | \$ 3,087,569 | \$ 4,547,569 |
| 2025 | 1,520,000 | 3,014,569 | 4,534,569 |
| 2026 | 1,590,000 | 2,938,569 | 4,528,569 |
| 2027 | 1,660,000 | 2,859,069 | 4,519,069 |
| 2028 | 1,725,000 | 2,776,069 | 4,501,069 |
| 2029-2033 | 9,280,000 | 12,640,694 | 21,920,694 |
| 2034-2038 | 51,890,000 | 8,700,494 | 60,590,494 |
| 2039-2040 | <u>25,015,000</u> | <u>1,178,594</u> | <u>26,193,594</u> |
| | <u>\$ 94,140,000</u> | <u>\$ 37,195,627</u> | <u>\$ 131,335,627</u> |

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 6 - LONG-TERM LIABILITIES (Continued)

Lease liabilities: The District is leasing equipment under long-term lease purchase agreements with capitalized value of \$4,385,237 and accumulated depreciation of \$3,234,113. The following is a summary of future payments on the capital leases:

| Year Ending <u>June 30,</u> | <u>Payment</u> |
|---------------------------------------|--------------------------|
| 2024 | \$ 499,111 |
| Less amount representing interest | <u>(14,546)</u> |
| Net present value of minimum payments | <u><u>\$ 484,565</u></u> |

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

| Year Ending <u>June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|-----------------------------|----------------------------|-----------------------------|
| 2024 | \$ 470,000 | \$ 379,433 | \$ 849,433 |
| 2025 | 490,000 | 363,030 | 853,030 |
| 2026 | 504,000 | 345,929 | 849,929 |
| 2027 | 521,000 | 328,339 | 849,339 |
| 2028 | 543,000 | 310,156 | 853,156 |
| 2029-2033 | 2,992,000 | 1,253,957 | 4,245,957 |
| 2034-2038 | 3,668,000 | 689,519 | 4,357,519 |
| 2039-2040 | <u>1,684,000</u> | <u>88,646</u> | <u>1,772,646</u> |
| | <u><u>\$ 10,872,000</u></u> | <u><u>\$ 3,759,009</u></u> | <u><u>\$ 14,631,009</u></u> |

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 6 - LONG-TERM LIABILITIES (Continued)

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2023 is shown below:

| | Balance July 1, 2022 | Additions | Deletions | June 30, 2023 | Amounts Due Within One Year |
|--|-------------------------|-----------------------|----------------------|-------------------------|-----------------------------------|
| <u>Debt:</u> | | | | | |
| Mello-Roos bonds | \$ 83,136,133 | \$ - | \$ 5,625,000 | \$ 77,511,133 | \$ 5,855,000 |
| General Obligation Bonds | 309,250,000 | 132,400,000 | 10,050,000 | 431,600,000 | 6,250,000 |
| Accreted Interest on bonds | 1,223,067 | 152,905 | - | 1,375,972 | - |
| Unamortized bond premiums | 12,726,884 | 5,086,421 | 197,159 | 17,616,146 | 421,274 |
| Unamortized bond discounts | (122,075) | - | (122,075) | - | - |
| Certificates of participation | 95,530,000 | - | 1,390,000 | 94,140,000 | 1,460,000 |
| <u>Direct Placement Debt:</u> | | | | | |
| Lease-leaseback | 11,330,000 | - | 458,000 | 10,872,000 | 470,000 |
| <u>Other Long-Term Liabilities:</u> | | | | | |
| Net pension liability (Notes 8 and 9) | 363,655,000 | 265,694,000 | - | 629,349,000 | - |
| Total OPEB liability (Note 10) | 11,624,895 | - | 1,846,556 | 9,778,339 | - |
| Lease obligation | 955,025 | - | 470,460 | 484,565 | 484,565 |
| Compensated absences | 17,183,992 | 2,027,153 | - | 19,211,145 | 19,211,145 |
| Totals | <u>\$ 906,492,921</u> | <u>\$ 405,360,479</u> | <u>\$ 19,915,100</u> | <u>\$ 1,291,938,300</u> | <u>\$ 34,151,984</u> |

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

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 7 - FUND BALANCES

Fund balances, by category, at June 30, 2023 consisted of the following:

| | General <u>Fund</u> | Building <u>Fund</u> | All Non-Major <u>Funds</u> | <u>Total</u> |
|-------------------------------------|------------------------|-------------------------|----------------------------------|-----------------------|
| Nonspendable: | | | | |
| Revolving cash fund | \$ 140,000 | \$ - | \$ 11,266 | \$ 151,266 |
| Stores inventory | 681,455 | - | 875,434 | 1,556,889 |
| Prepaid expenditures | <u>2,470,436</u> | - | <u>32,435</u> | <u>2,502,871</u> |
| Subtotal nonspendable | <u>3,291,891</u> | - | <u>919,135</u> | <u>4,211,026</u> |
| Restricted: | | | | |
| Legally restricted programs | 177,493,726 | - | - | 177,493,726 |
| Student Activities | - | - | 5,794,969 | 5,794,969 |
| Charter school | - | - | 5,959,263 | 5,959,263 |
| Adult education program | - | - | 4,165,839 | 4,165,839 |
| Child development program | - | - | 290,509 | 290,509 |
| Cafeteria activities | - | - | 26,191,176 | 26,191,176 |
| Capital projects | - | 223,677,362 | 145,292,754 | 368,970,116 |
| Debt Service | - | - | <u>38,022,913</u> | <u>38,022,913</u> |
| Subtotal restricted | <u>177,493,726</u> | <u>223,677,362</u> | <u>225,717,423</u> | <u>626,888,511</u> |
| Committed | | | | |
| UPP enrollment mitigation | 7,916,697 | - | - | 7,916,697 |
| Professional development | <u>6,000,000</u> | - | - | <u>6,000,000</u> |
| Subtotal committed | <u>13,916,697</u> | - | - | <u>13,916,697</u> |
| Assigned | | | | |
| Carryover for encumbrances | 13,593,035 | - | - | 13,593,035 |
| Textbook adoptions | <u>18,526,958</u> | - | - | <u>18,526,958</u> |
| Subtotal assigned | <u>32,119,993</u> | - | - | <u>32,119,993</u> |
| Unassigned: | | | | |
| Designated for economic uncertainty | 19,300,000 | - | - | 19,300,000 |
| Unassigned | <u>47,808,494</u> | - | - | <u>47,808,494</u> |
| Subtotal unassigned | <u>67,108,494</u> | - | - | <u>67,108,494</u> |
| Total fund balances | <u>\$ 293,930,801</u> | <u>\$ 223,677,362</u> | <u>\$ 226,636,558</u> | <u>\$ 744,244,721</u> |

(Continued)

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

General Information about the State Teachers' Retirement Plan

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

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

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

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

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

CalSTRS calculates retirement benefits based on a one-year final compensation for members who retired on or after January 1, 2001, with 25 or more years of credited service, or for classroom teachers with less than 25 years of credited service if the employer elected to pay the additional benefit cost prior to January 1, 2014. One-year final compensation means a member's highest average annual compensation earnable for 12 consecutive months calculated by taking the creditable compensation that a member could earn in a school year while employed on a fulltime basis, for a position in which the person worked. For members with less than 25 years of credited service, final compensation is the highest average annual compensation earnable for any 36 consecutive months of credited service.

CalSTRS 2% at 62 - CalSTRS 2% at 62 members are eligible for normal retirement at age 62, with a minimum of five years of credited service. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service. An early retirement option is available at age 55. The age factor for retirement after age 62 increases with each quarter year of age to 2.4 percent at age 65 or older.

All CalSTRS 2% at 62 members have their final compensation based on their highest average annual compensation earnable for any 36 consecutive months of credited service.

(Continued)

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

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

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

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

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.250 percent of applicable member earnings for fiscal year 2021-22. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 10.205 percent of applicable member earnings for fiscal year 2021-22.

Under CalSTRS 2% at 62, members pay 9% toward the normal cost and an additional 1.205 percent as per the CalSTRS Funding Plan for a total member contribution rate of 10.205 percent. The contribution rate for CalSTRS 2% at 62 members is adjusted if the normal cost increases or decreases by more than 1% since the last time the member contribution rate was set. Based on the June 30, 2021, valuation adopted by the CalSTRS board in May 2022, the increase in normal cost was less than 1 percent. Therefore, the contribution rate for CalSTRS 2% at 62 members did not change effective July 1, 2022.

Employers – Employers are required to contribute a base contribution rate set in statute at 8.25%. Pursuant to the CalSTRS Funding Plan, employers also have a supplemental contribution rate to eliminate their share of the CalSTRS unfunded actuarial obligation by 2046.

Beginning in fiscal year 2021–22, the CalSTRS Funding Plan authorized the CalSTRS board to adjust the employer supplemental contribution rate up or down by a maximum of 1% for a total rate of no higher than 20.25% and no lower than 8.25%. In May 2022, the CalSTRS board voted to keep the employer supplemental contribution rate at 10.85% for fiscal year 2022–23 for a total employer contribution rate of 19.10%.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

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

The CalSTRS employer contribution rates effective for fiscal year 2022-23 through fiscal year 2046-47 are summarized in the table below:

| <u>Effective Date</u> | <u>Base Rate</u> | <u>Supplemental Rate Per CalSTRS Funding Plan</u> | <u>Total</u> |
|-------------------------------|------------------|---|--------------|
| July 1, 2022 | 8.250% | 10.850% | 19.100% |
| July 1, 2023 to June 30, 2046 | 8.250% | (1) | (1) |
| July 1, 2046 | 8.250% | Increase from AB 1469 rate ends in 2046-47 | |

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

The District contributed \$71,702,291 to the plan for the fiscal year ended June 30, 2023.

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

The state is required to contribute a base contribution rate set in statute at 2.017%. Pursuant to the CalSTRS Funding Plan, the state also has a supplemental contribution rate, which the board can increase by up to 0.5% each fiscal year to help eliminate the state’s share of the CalSTRS unfunded actuarial obligation by 2046. In May 2022, the CalSTRS board voted to keep the state supplemental contribution rate at 6.311% for fiscal year 2022–23 for a total contribution rate of 10.828%.

Special legislation appropriated supplemental state contributions to reduce the state’s portion of the unfunded actuarial obligation of the DB Program in fiscal years 2019-20 through 2022-23. These contributions are funded from future excess General Fund revenues, pursuant to the requirements of California Proposition 2, the “Rainy-Day Budget Stabilization Fund Act”, which passed in 2014. Accordingly, the contribution amounts are subject to change each year based on the availability of funding. For fiscal year 2021–22, CalSTRS received \$410.0 million in supplemental state contributions from Proposition 2 funds. Additionally, CalSTRS received a one-time supplemental payment of \$173.7 million from the General Fund in fiscal year 2021–22 to offset forgone contributions due to the suspension of the 0.5% increase to the state supplemental contribution rate in fiscal year 2020–21.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

The CalSTRS state contribution rates effective for fiscal year 2022-23 and beyond are summarized in the table below.

| <u>Effective Date</u> | <u>Base Rate</u> | <u>Supplemental Rate Per CalSTRS Funding Plan</u> | <u>SBMA Funding⁽¹⁾</u> | <u>Total</u> |
|-----------------------------------|----------------------|---|---------------------------------------|--------------|
| July 01, 2022 | 2.017% | 6.311% | 2.50% | 10.828% |
| July 01, 2023 to June 30, 2046 | 2.017% | (2) | 2.50% | (2) |
| July 01, 2046 | 2.017% | (3) | 2.50% | (3) |

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

| | |
|--|------------------------------|
| District’s proportionate share of the net pension liability | \$ 384,139,000 |
| State’s proportionate share of the net pension liability associated with the District | <u>217,125,000</u> |
| Total | <u><u>\$ 601,264,000</u></u> |

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school districts and the State. At June 30, 2022, the District's proportion was 0.553 percent, which was an increase of 0.075 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the District recognized pension expense of \$52,428,481 and revenue of \$34,835,878 for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$ 315,000 | \$ 28,802,000 |
| Changes of assumptions | 19,050,000 | - |
| Net differences between projected and actual earnings on investments | - | 18,785,000 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 61,341,000 | 65,456,000 |
| Contributions made subsequent to measurement date | <u>71,702,291</u> | <u>-</u> |
| Total | <u>\$ 152,408,291</u> | <u>\$ 113,043,000</u> |

\$71,702,291 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending <u>June 30,</u> | |
|--------------------------------|-----------------|
| 2024 | \$ (5,680,467) |
| 2025 | \$ (22,343,467) |
| 2026 | \$ (30,285,967) |
| 2027 | \$ 22,978,367 |
| 2028 | \$ (4,200,633) |
| 2029 | \$ 7,195,167 |

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2022 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

| | |
|-----------------------------------|---|
| Valuation Date | June 30, 2021 |
| Experience Study | July 1, 2015 through June 30, 2018 |
| Actuarial Cost Method | Entry age normal |
| Investment Rate of Return | 7.10% |
| Consumer Price Inflation | 2.75% |
| Wage Growth | 3.50% |
| Post-retirement Benefit Increases | 2.00% simple for DB, maintain 85% Purchasing power level for DB, not applicable for DBS/CBB |

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

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

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

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

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

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

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

* 20-year geometric average

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:
 The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 6.10 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

| | 1% Decrease (6.10%) | Current Discount Rate (7.10%) | 1% Increase (8.10%) |
|---|---------------------------|-------------------------------------|---------------------------|
| District’s proportionate share of the net pension liability | <u>\$ 65,241,000</u> | <u>\$ 384,139,000</u> | <u>\$ 161,393,000</u> |

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

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

General Information about the Public Employer’s Retirement Fund B

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

The Plan was established to provide retirement, death and disability benefits to non-teaching and non-certified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained at: <https://www.calpers.ca.gov/docs/forms-publications/acfr-2022.pdf>.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

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

Contributions: The benefits for the defined benefit pension plans are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the respective employer’s benefit formulas. Employer contribution rates are determined by periodic actuarial valuations or by state statute. Actuarial valuations are based on the benefit formulas and employee groups of each employer. Employer contributions, including lump sum contributions made when districts first join the PERF B, are credited with a market value adjustment in determining contribution rates.

The required contribution rates of most active plan members are based on a percentage of salary in excess of a base compensation amount ranging from zero dollars to \$863 monthly.

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2023 were as follows:

Members - The member contribution rate was 7.0 percent of applicable member earnings for fiscal year 2022-23.

Employers - The employer contribution rate was 25.37 percent of applicable member earnings.

The District contributed \$32,310,792 to the plan for the fiscal year ended June 30, 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2023, the District reported a liability of \$245,210,000 or its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school districts. At June 30, 2022 the District’s proportion was 0.713 percent, which was a decrease of 0.005 percent from its proportion measured as of June 30, 2021.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

For the year ended June 30, 2023, the District recognized pension expense of \$32,005,798. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Difference between expected and actual experience | \$ 1,108,000 | \$ 6,101,000 |
| Changes of assumptions | 18,139,000 | - |
| Net differences between projected and actual earnings on investments | 28,953,000 | - |
| Changes in proportion and differences between District contributions and proportionate share of contributions | - | 3,857,000 |
| Contributions made subsequent to measurement date | <u>32,310,792</u> | <u>-</u> |
| Total | <u>\$ 80,510,792</u> | <u>\$ 9,958,000</u> |

\$32,310,792 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending <u>June 30,</u> | |
|--------------------------------|---------------|
| 2024 | \$ 8,136,417 |
| 2025 | \$ 6,572,416 |
| 2026 | \$ 5,878,917 |
| 2027 | \$ 17,654,250 |

Differences between expected and actual experience, changes in assumptions and changes in proportion and differences between District contributions and proportionate share of contributions are amortized over a closed period equal to the average remaining service life of plan members, which is 3.9 years as of the June 30, 2022 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

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

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

| | |
|-----------------------------------|---|
| Valuation Date | June 30, 2021 |
| Experience Study | June 30, 2000 through June 30, 2019 |
| Actuarial Cost Method | Entry age normal |
| Investment Rate of Return | 6.90% |
| Consumer Price Inflation | 2.30% |
| Wage Growth | Varies by entry age and service |
| Post-retirement Benefit Increases | 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power Applies, 2.30% thereafter |

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 80% of scale MP2020. For more details on this table, please refer to the 2021 experience study report.

All other actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period from 2000 to 2019, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

During the 2021-22 measurement period, the financial reporting discount rate for PERF B was lowered from 7.15 percent to 6.90 percent. In addition, the inflation assumption was reduced from 2.50 percent to 2.30 percent. Lastly, demographic assumptions for mortality rates were updated.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

| <u>Asset Class</u> | <u>Assumed Asset Allocation</u> | <u>Expected Real Rates of Return Years 1-10 (1, 2)</u> |
|--------------------------------|---------------------------------|--|
| Global Equity – cap-weighted | 30.00% | 4.45% |
| Global Equity non-cap-weighted | 12.00% | 3.84% |
| Private Equity | 13.00% | 7.28% |
| Treasury | 5.00% | .27% |
| Mortgage-backed Securities | 5.00% | .50% |
| Investment Grade Corporates | 10.00% | 1.56% |
| High Yield | 5.00% | 2.27% |
| Emerging Market Debt | 5.00% | 2.48% |
| Private Debt | 5.00% | 3.57% |
| Real Assets | 15.00% | 3.21% |
| Leverage | (5.00%) | (0.59%) |

(1) An expected inflation rate of 2.30% used for this period
(2) Figures are based on the 2021-22 CalPERS Asset Liability Management Study

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

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

Discount Rate: The discount rate used to measure the total pension liability was 6.90 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS’ website.

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

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90 percent) or 1-percentage-point higher (7.90 percent) than the current rate:

| | 1% Decrease (5.90%) | Current Discount Rate (6.90%) | 1% Increase (7.90%) |
|---|---------------------------|-------------------------------------|---------------------------|
| District’s proportionate share of the net pension liability | <u>\$ 354,218,000</u> | <u>\$ 245,210,000</u> | <u>\$ 155,119,000</u> |

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

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

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

The District’s Governing Board has the authority to establish or amend the benefit terms offered by the Plan. The District’s Governing Board also retains the authority to establish the requirements for paying the Plan benefits as they come due. As of June 30, 2023 the District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District’s Total OPEB Liability.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Employees Covered by Benefit Terms: The following is a table of plan participants at June 30, 2023:

| | <u>Number of Participants</u> |
|---|-----------------------------------|
| Inactive Plan members, covered spouses, or beneficiaries currently receiving benefits | 220 |

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

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

Contributions to the Plan from the District were \$856,297 for the year ended June 30, 2023. Employees are not required to contribute to the OPEB plan.

Total OPEB Liability

The District's total OPEB liability was measured as of June 30, 2022.

Actuarial Assumptions: The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| <u>Actuarial Value of Assets</u> | <u>Market Value</u> |
|----------------------------------|--|
| <u>Mortality Rate</u> | PERS - 2017 California PERS experience study. STRS - 2020 experience study. |
| <u>Discount Rate</u> | 3.54%. Based on the Bond Buyer 20-Bond Index, as published by the Federal Reserve. |
| <u>Assumed Investment Return</u> | Not applicable since the plan is unfunded. |
| <u>Retirement Rate</u> | No assumption due to lack of future retirees. |
| <u>Inflation Rate</u> | 2.50% per year |
| <u>Salary Increases</u> | No assumption due to lack of future retirees. |
| <u>Administrative Expenses</u> | None. |
| <u>Dependent Coverage</u> | Current retirees are valued based on elected coverage. |
| <u>Health Plan Participation</u> | No assumption due to lack of future retirees. |
| <u>Medicare Coverage</u> | All participating retirees and spouses will qualify for Medicare coverage and enroll in Parts A and B upon age 65. |
| <u>Health Care Inflation</u> | 4.00% per year |
| <u>Termination Rate</u> | No assumption due to lack of future retirees. |

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in Total OPEB Liability

| | <u>Total OPEB Liability</u> |
|--|---------------------------------|
| Balance at June 30, 2022 | \$ 11,624,895 |
| Changes for the year: | |
| Service cost | - |
| Interest | 240,307 |
| Changes of benefit terms | - |
| Differences between actual and expected experience | - |
| Changes in assumptions | (1,087,707) |
| Benefit payments | (856,297) |
| Experience (Gains)/Losses | (142,859) |
| Administrative expenses | - |
| Net change | <u>(1,846,556)</u> |
| Balance at June 30, 2023 | <u>\$ 9,778,339</u> |

The changes in assumptions includes a change in the discount rate from 2.16% in the prior valuation, to 3.54% in the current valuation. There were no other changes between measurement date and the year ended June 30, 2023 which had a significant effect on the District's total OPEB liability.

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

| | 1% Decrease <u>(2.54%)</u> | Current Discount Rate <u>(3.54%)</u> | 1% Increase <u>(4.54%)</u> |
|----------------------|----------------------------------|--|----------------------------------|
| Total OPEB liability | <u>\$ 10,580,623</u> | <u>\$ 9,778,339</u> | <u>\$ 9,287,182</u> |

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2023

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

| | 1% Decrease (3.0%) | Healthcare Cost Trend Rates Rate (4.0%) | 1% Increase (5.0%) |
|----------------------|--------------------------|--|--------------------------|
| Total OPEB liability | \$ 9,060,974 | \$ 9,778,339 | \$ 10,527,925 |

For the year ended June 30, 2023, the District recognized OPEB expense of \$909,259.

\$775,316 reported as deferred outflows of resources related to benefits paid subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2024.

NOTE 11 - ELK GROVE BENEFITS EMPLOYEE RETIREMENT TRUST

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

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

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

The District does not retain any obligation for benefits in the event of the trust insolvency. The District contributed \$775,316 to EGBERT for the year ended June 30, 2023.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 12 - JOINT POWERS AGREEMENTS

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

The following is a summary of financial information of Schools Insurance Authority at June 30, 2023 (the most recent information available):

| | |
|-------------------------|----------------|
| Total assets | \$ 223,071,864 |
| Total deferred outflows | \$ 4,747,151 |
| Total liabilities | \$ 106,527,925 |
| Total deferred inflows | \$ 1,649,206 |
| Total net position | \$ 119,641,884 |
| Total revenues | \$ 86,598,125 |
| Total expenditures | \$ 90,189,985 |
| Change in net position | \$ (3,591,860) |

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

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

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

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

(Continued)

NOTE 14 - CONTINGENCIES

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

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

NOTE 15 – SUBSEQUENT EVENTS

In July 2023, the District issued Election of 1998, Series 2023 Community Facilities District No.1 Special Tax bonds in the amount of \$35,000,000. The proceeds were used to fund specific school facilities projects within the district. The Bonds bear interest at a 4.0% rate and are scheduled to mature through December 2042.

In July 2023, the District issued Election of 1998, Series 2023 Community Facilities District No.1 Special Tax Refunding bonds in the amount of \$59,370,000. The proceeds were used to refund certain maturities of the Elk Grove Unified School District Community Facilities District No.1 2012 Special Tax Refunding Bonds. The Bonds bear interest at a 5.0% rate and are scheduled to mature through December 2033.

REQUIRED SUPPLEMENTARY INFORMATION

ELK GROVE UNIFIED SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2023

| | Budget | | Actual | Variance Favorable (Unfavorable) |
|---|-----------------------|-----------------------|-----------------------|--|
| | Original | Final | | |
| Revenues: | | | | |
| Local control funding formula: | | | | |
| State apportionment | \$ 496,318,061 | \$ 544,282,632 | \$ 534,643,166 | \$ (9,639,466) |
| Local sources | <u>141,512,925</u> | <u>153,715,072</u> | <u>154,068,095</u> | <u>353,023</u> |
| Total Local control funding formula: | <u>637,830,986</u> | <u>697,997,704</u> | <u>688,711,261</u> | <u>(9,286,443)</u> |
| Federal sources | 103,366,904 | 229,186,967 | 112,963,712 | (116,223,255) |
| Other state sources | 115,729,762 | 254,878,783 | 251,212,581 | (3,666,202) |
| Other local sources | <u>5,083,897</u> | <u>13,825,882</u> | <u>14,477,229</u> | <u>651,347</u> |
| Total revenues | <u>862,011,549</u> | <u>1,195,889,336</u> | <u>1,067,364,783</u> | <u>(128,524,553)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Certificated salaries | 359,159,800 | 401,020,264 | 399,401,295 | 1,618,969 |
| Classified salaries | 133,964,974 | 147,076,215 | 126,633,769 | 20,442,446 |
| Employee benefits | 260,866,127 | 259,633,573 | 247,913,829 | 11,719,744 |
| Books and supplies | 53,083,331 | 207,549,809 | 41,884,110 | 165,665,699 |
| Contract services and operating expenditures | 70,067,361 | 100,275,970 | 125,671,287 | (25,395,317) |
| Other outgo | 3,054,584 | 3,719,927 | 6,035,612 | (2,315,685) |
| Capital outlay | 456,953 | 34,236,399 | 17,578,460 | 16,657,939 |
| Debt service: | | | | |
| Principal retirement | 93,288 | 93,288 | 470,460 | (377,172) |
| Interest | <u>405,823</u> | <u>405,823</u> | <u>28,651</u> | <u>377,172</u> |
| Total expenditures | <u>881,152,241</u> | <u>1,154,011,268</u> | <u>965,617,473</u> | <u>188,393,795</u> |
| (Deficiency) excess of revenues (under) over expenditures | <u>(19,140,692)</u> | <u>41,878,068</u> | <u>101,747,310</u> | <u>59,869,242</u> |
| Other financing sources (uses): | | | | |
| Transfers in | - | - | 1,320,108 | 1,320,108 |
| Transfers out | <u>(1,941,185)</u> | <u>(1,941,185)</u> | <u>(180,123)</u> | <u>1,761,062</u> |
| Total other financing sources (uses) | <u>(1,941,185)</u> | <u>(1,941,185)</u> | <u>1,139,985</u> | <u>3,081,170</u> |
| Net change in fund balance | (21,081,877) | 39,936,883 | 102,887,295 | 62,950,412 |
| Fund balance, July 1, 2022 | <u>191,043,506</u> | <u>191,043,506</u> | <u>191,043,506</u> | <u>-</u> |
| Fund balance, June 30, 2023 | <u>\$ 169,961,629</u> | <u>\$ 230,980,389</u> | <u>\$ 293,930,801</u> | <u>\$ 62,950,412</u> |

See accompanying note to required supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL
OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITIES
For the Year Ended June 30, 2023

| | Last 10 Fiscal Years | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|
| | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
| Total OPEB liability | | | | | | |
| Service cost | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Interest | 489,361 | 503,010 | 465,082 | 392,178 | 255,618 | 240,307 |
| Change in assumptions | - | (314,780) | 236,642 | 1,139,966 | 807,165 | (1,087,707) |
| Experience (Gains)/Losses | - | - | (647,017) | - | (533,474) | (142,859) |
| Benefit payments | <u>(1,151,839)</u> | <u>(1,197,913)</u> | <u>(1,110,165)</u> | <u>(1,131,632)</u> | <u>(1,075,839)</u> | <u>(856,297)</u> |
| Net change in total OPEB liability | (662,478) | (1,009,683) | (1,055,458) | 400,512 | (546,530) | (1,846,556) |
| Total OPEB liability - beginning of year | <u>14,500,532</u> | <u>13,836,054</u> | <u>12,826,371</u> | <u>11,770,913</u> | <u>12,171,425</u> | <u>11,624,895</u> |
| Total OPEB liability - end of year | <u>\$ 13,838,054</u> | <u>\$ 12,826,371</u> | <u>\$ 11,770,913</u> | <u>\$ 12,171,425</u> | <u>\$ 11,624,895</u> | <u>\$ 9,778,339</u> |
| Covered employee payroll | N/A* | N/A* | N/A* | N/A* | N/A* | N/A* |
| Total OPEB liability as a percentage of covered-employee payroll | N/A* | N/A* | N/A* | N/A* | N/A* | N/A* |

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

This is a 10 year schedule, however the information in this schedule is not required to be presented retrospectively. The amounts presented for each fiscal year were determined as of the yearend that occurred one year prior. All years prior to 2018 are not available.

See accompanying note to required supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2023

| | State Teachers' Retirement Plan Last 10 Fiscal Years | | | | | | | | |
|--|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
| District's proportion of the net pension liab | 0.575% | 0.575% | 0.571% | 0.561% | 0.565% | 0.592% | 0.548% | 0.478% | 0.553% |
| District's proportionate share of the net pension liability | \$ 335,739,000 | \$ 387,022,000 | \$ 462,169,000 | \$ 518,709,000 | \$ 519,668,000 | \$ 534,293,000 | \$ 530,880,000 | \$ 217,578,000 | \$ 384,139,000 |
| State's proportionate share of the net pension liability associated w ith the District | <u>202,735,000</u> | <u>204,691,000</u> | <u>263,129,000</u> | <u>306,866,000</u> | <u>297,535,000</u> | <u>291,494,000</u> | <u>290,122,000</u> | <u>129,454,000</u> | <u>217,125,000</u> |
| Total net pension liability | <u>\$ 538,474,000</u> | <u>\$ 591,713,000</u> | <u>\$ 725,298,000</u> | <u>\$ 825,575,000</u> | <u>\$ 817,203,000</u> | <u>\$ 825,787,000</u> | <u>\$ 821,002,000</u> | <u>\$ 347,032,000</u> | <u>\$ 601,264,000</u> |
| District's covered payroll | \$ 255,898,000 | \$ 266,821,000 | \$ 284,779,000 | \$ 296,958,000 | \$ 302,077,000 | \$ 313,827,000 | \$ 312,142,000 | \$ 261,844,000 | \$ 310,432,000 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 131.20% | 145.05% | 162.29% | 174.67% | 172.03% | 170.25% | 170.08% | 83.09% | 123.74% |
| Plan fiduciary net position as a percentage of the total pension liability | 76.52% | 74.02% | 70.04% | 69.46% | 70.99% | 72.56% | 71.82% | 87.21% | 81.20% |

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

All years prior to 2015 are not available.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 For the Year Ended June 30, 2023

Public Employer's Retirement Fund B
 Last 10 Fiscal Years

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
|--|---------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| District's proportion of the net pension liability | 0.694% | 0.712% | 0.710% | 0.724% | 0.730% | 0.738% | 0.737% | 0.718% | 0.713% |
| District's proportionate share of the net pension liability | \$ 78,836,000 | \$ 104,902,000 | \$ 140,149,000 | \$ 172,893,000 | \$ 194,740,000 | \$ 215,066,000 | \$ 225,987,000 | \$ 146,077,000 | \$ 245,210,000 |
| District's covered payroll | \$ 72,899,000 | \$ 78,790,000 | \$ 85,132,000 | \$ 92,198,000 | \$ 97,719,000 | \$ 103,122,000 | \$ 106,797,000 | \$ 103,449,000 | \$ 116,939,000 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 108.14% | 133.14% | 164.63% | 187.52% | 199.29% | 208.55% | 211.60% | 141.21% | 209.69% |
| Plan fiduciary net position as a percentage of the total pension liability | 83.38% | 79.43% | 73.89% | 71.87% | 70.85% | 70.05% | 70.00% | 80.97% | 69.76% |

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

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2023

State Teachers' Retirement Plan
Last 10 Fiscal Years

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Contractually required contribution | \$ 23,693,748 | \$ 30,556,787 | \$ 37,357,344 | \$ 43,589,645 | \$ 51,091,114 | \$ 53,376,320 | \$ 50,012,139 | \$ 59,292,602 | \$ 71,702,291 |
| Contributions in relation to the contractually required contribution | <u>(23,693,748)</u> | <u>(30,556,787)</u> | <u>(37,357,344)</u> | <u>(43,589,645)</u> | <u>(51,091,114)</u> | <u>(53,376,320)</u> | <u>(50,012,139)</u> | <u>(59,292,602)</u> | <u>(71,702,291)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 266,821,000 | \$ 284,779,000 | \$ 296,958,000 | \$ 302,077,000 | \$ 313,827,000 | \$ 312,142,000 | \$ 261,844,000 | \$ 310,432,000 | \$ 375,405,000 |
| Contributions as a percentage of covered payroll | 8.88% | 10.73% | 12.58% | 14.43% | 16.28% | 17.10%* | 16.15%** | 16.92%*** | 19.10% |

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

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

*** This rate reflects the original employer contribution rate of 19.10 percent under AB1469, reduced for the 2.18 percentage points to be paid on behalf of employers pursuant to SB 90.

All years prior to 2015 are not available.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
 For the Year Ended June 30, 2023

Public Employer's Retirement Fund B
 Last 10 Fiscal Years

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> |
|--|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Contractually required contribution | \$ 9,274,354 | \$ 10,085,627 | \$ 12,804,434 | \$ 15,176,778 | \$ 18,625,808 | \$ 21,061,415 | \$ 21,413,896 | \$ 26,790,798 | \$ 32,310,792 |
| Contributions in relation to the contractually required contribution | <u>(9,274,354)</u> | <u>(10,085,627)</u> | <u>(12,804,434)</u> | <u>(15,176,778)</u> | <u>(18,625,808)</u> | <u>(21,061,415)</u> | <u>(21,413,896)</u> | <u>(26,790,798)</u> | <u>(32,310,792)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | \$ 78,790,000 | \$ 85,132,000 | \$ 92,198,000 | \$ 97,719,000 | \$ 103,122,000 | \$ 106,797,000 | \$ 103,449,000 | \$ 116,939,000 | \$ 127,358,000 |
| Contributions as a percentage of covered payroll | 11.77% | 11.85% | 13.89% | 15.53% | 18.06% | 19.72% | 20.70% | 22.91% | 25.37% |

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT
 NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
 June 30, 2023

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule: The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Education to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

Schedule of Changes in Total Other Postemployment Benefits (OPEB) Liability: The Schedule of Changes in Total OPEB Liability is presented to illustrate the elements of the District's Total OPEB Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available. The District has not accumulated assets in a qualified trust for the purpose of paying the benefits related to the District's Total OPEB Liability.

Schedule of the District's Proportionate Share of the Net Pension Liability: The Schedule of the District's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District's Net Pension Liability. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Schedule of District Contributions: The Schedule of District Contributions is presented to illustrate the District's required contributions relating to the pensions. There is a requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Changes of Benefit Terms: There are no changes in benefit terms reported in the Required Supplementary Information.

Changes of Assumptions: The discount rate used to calculate the District's OPEB liability was 3.87, 3.5, 2.2, 2.16 and 3.54 percent in the June 30, 2018, 2019, 2020, 2021 and 2022 actuarial reports, respectively.

The discount rate used for the Public Employer's Retirement Fund B (PERF B) plan was 7.50, 7.65, 7.65, 7.15, 7.15, 7.15, 7.15, 7.15 and 6.90 percent in the June 30, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, and 2021 actuarial reports, respectively.

The inflation rate used for the PERF B plan was 2.50, 2.50, 2.50, 2.50, 2.50, 2.50, 2.50, 2.50, and 2.30 percent in the June 30, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, and 2021 actuarial reports, respectively.

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

| Assumption | Measurement Period | | | | | | | |
|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | As of June 30, 2022 | As of June 30, 2021 | As of June 30, 2020 | As of June 30, 2019 | As of June 30, 2018 | As of June 30, 2017 | As of June 30, 2016 | As of June 30, 2015 |
| Consumer price inflation | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 2.75% | 3.00% | 3.00% |
| Investment rate of return | 7.10% | 7.10% | 7.10% | 7.10% | 7.10% | 7.10% | 7.60% | 7.60% |
| Wage growth | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% | 3.75% | 3.75% |

SUPPLEMENTARY INFORMATION

ELK GROVE UNIFIED SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 ALL NON-MAJOR FUNDS
 June 30, 2023

| | Student Activity Fund | Charter Schools Fund | Adult Education Fund | Child Development Fund | Cafeteria Fund | Deferred Maintenance Fund | Capital Facilities Fund | State School Facilities Fund | Special Reserve for Capital Outlay Fund | Capital Projects Fund | Bond Interest Redemption Fund | Mello-Roos Administrative Fund | Total |
|--|-----------------------------|----------------------------|----------------------------|------------------------------|-----------------------------|---------------------------------|-------------------------------|---------------------------------------|--|-----------------------------|--|--------------------------------------|------------------------------|
| ASSETS | | | | | | | | | | | | | |
| Cash in County Treasury | \$ - | \$ 6,662,188 | \$ 2,423,468 | \$ 2,442,887 | \$ 18,610,111 | \$ - | \$ 67,624,497 | \$ 31,864,026 | \$ 2,393,971 | \$ 39,982,808 | \$ - | \$ 206,618 | \$ 172,210,574 |
| Cash with Fiscal Agent | - | - | - | - | - | - | - | - | - | 600,842 | 17,096,138 | 20,720,157 | 38,417,137 |
| Cash on hand and in banks | 5,794,969 | - | 21,959 | - | 7,746 | - | - | - | - | - | - | - | 5,824,674 |
| Cash in revolving fund | - | - | - | - | 11,266 | - | - | - | - | - | - | - | 11,266 |
| Cash awaiting deposit | - | - | 576,560 | - | (632) | - | 2,021,016 | - | - | - | - | - | 2,596,944 |
| Receivables | - | 161,949 | 1,071,629 | 1,996,895 | 10,109,361 | - | 1,222,664 | 887,988 | 52,407 | 973,921 | - | - | 16,476,814 |
| Prepaid expenditures | - | 29,404 | 2,527 | - | - | - | - | - | - | 504 | - | - | 32,435 |
| Due from other funds | - | 120,171 | 388,797 | 177,356 | 49,803 | 224 | - | 8,589 | - | 11,564 | - | - | 756,504 |
| Stores inventory | <u>252,332</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>623,102</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>875,434</u> |
| Total assets | <u>\$ 6,047,301</u> | <u>\$ 6,973,712</u> | <u>\$ 4,484,940</u> | <u>\$ 4,617,138</u> | <u>\$ 29,410,757</u> | <u>\$ 224</u> | <u>\$ 70,868,177</u> | <u>\$ 32,760,603</u> | <u>\$ 2,446,378</u> | <u>\$ 41,569,639</u> | <u>\$ 17,096,138</u> | <u>\$ 20,926,775</u> | <u>\$ 237,201,782</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | | | | | | | |
| Liabilities: | | | | | | | | | | | | | |
| Accounts payable | \$ - | \$ 392,875 | \$ 90,707 | \$ 602,195 | \$ 738,629 | \$ - | \$ 6,384 | \$ 23,453 | \$ 1,457,059 | \$ 758,166 | \$ - | \$ - | \$ 4,069,468 |
| Unearned revenue | - | - | 179,264 | 3,556,917 | 829,369 | - | - | - | - | - | - | - | 4,565,550 |
| Due to other funds | - | <u>592,170</u> | <u>46,603</u> | <u>167,517</u> | <u>1,017,215</u> | <u>224</u> | <u>-</u> | <u>106,302</u> | <u>-</u> | <u>175</u> | <u>-</u> | <u>-</u> | <u>1,930,206</u> |
| Total liabilities | - | <u>985,045</u> | <u>316,574</u> | <u>4,326,629</u> | <u>2,585,213</u> | <u>224</u> | <u>6,384</u> | <u>129,755</u> | <u>1,457,059</u> | <u>758,341</u> | <u>-</u> | <u>-</u> | <u>10,565,224</u> |
| Fund balances: | | | | | | | | | | | | | |
| Nonspendable | 252,332 | 29,404 | 2,527 | - | 634,368 | - | - | - | - | 504 | - | - | 919,135 |
| Restricted | <u>5,794,969</u> | <u>5,959,263</u> | <u>4,165,839</u> | <u>290,509</u> | <u>26,191,176</u> | <u>-</u> | <u>70,861,793</u> | <u>32,630,848</u> | <u>989,319</u> | <u>40,810,794</u> | <u>17,096,138</u> | <u>20,926,775</u> | <u>225,717,423</u> |
| Total fund balance | <u>6,047,301</u> | <u>5,988,667</u> | <u>4,168,366</u> | <u>290,509</u> | <u>26,825,544</u> | <u>-</u> | <u>70,861,793</u> | <u>32,630,848</u> | <u>989,319</u> | <u>40,811,298</u> | <u>17,096,138</u> | <u>20,926,775</u> | <u>226,636,558</u> |
| Total liabilities and fund balances | <u>\$ 6,047,301</u> | <u>\$ 6,973,712</u> | <u>\$ 4,484,940</u> | <u>\$ 4,617,138</u> | <u>\$ 29,410,757</u> | <u>\$ 224</u> | <u>\$ 70,868,177</u> | <u>\$ 32,760,603</u> | <u>\$ 2,446,378</u> | <u>\$ 41,569,639</u> | <u>\$ 17,096,138</u> | <u>\$ 20,926,775</u> | <u>\$ 237,201,782</u> |

See accompanying notes to required supplementary information.

**ELK GROVE UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES - ALL NON-MAJOR FUNDS
June 30, 2023**

| | Student Activity Fund | Charter Schools Fund | Adult Education Fund | Child Development Fund | Cafeteria Fund | Deferred Maintenance Fund | Capital Facilities Fund | State School Facilities Fund | Special Reserve for Capital Outlay Fund | Capital Projects Fund | Bond Interest Redemption Fund | Mello-Roos Administrative Fund | Total |
|---|-----------------------------|----------------------------|----------------------------|------------------------------|----------------------|---------------------------------|-------------------------------|---------------------------------------|--|-----------------------------|--|--------------------------------------|-----------------------|
| Revenues: | | | | | | | | | | | | | |
| Local Control Funding Formula: | | | | | | | | | | | | | |
| Local sources | \$ - | \$ 2,807,383 | \$ 388,765 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 3,196,148 |
| Local control funding formula | - | 2,807,383 | 388,765 | - | - | - | - | - | - | - | - | - | 3,196,148 |
| Federal sources | - | - | 1,787,711 | 4,529,155 | 22,442,003 | - | - | - | - | - | - | - | 28,758,869 |
| Other state sources | - | 438,257 | 2,758,607 | 2,258,414 | 19,854,985 | - | - | 25,229,336 | (1,457,059) | 5,073 | 107,938 | - | 49,195,551 |
| Other local sources | 8,822,591 | 177,352 | 704,941 | 533,707 | 552,559 | - | 29,155,902 | 1,300,791 | 156,313 | 1,269,427 | 15,032,611 | 16,880,734 | 74,586,928 |
| Total revenues | 8,822,591 | 3,422,992 | 5,640,024 | 7,321,276 | 42,849,547 | - | 29,155,902 | 26,530,127 | (1,300,746) | 1,274,500 | 15,140,549 | 16,880,734 | 155,737,496 |
| Expenditures: | | | | | | | | | | | | | |
| Current: | | | | | | | | | | | | | |
| Certificated salaries | - | 1,556,887 | 1,535,103 | 2,584,755 | - | - | - | - | - | - | - | - | 5,676,745 |
| Classified salaries | - | 261,947 | 1,398,725 | 1,649,651 | 10,624,885 | - | 216,569 | - | - | 1,351,277 | - | - | 15,503,054 |
| Employee benefits | - | 796,383 | 1,426,882 | 2,056,278 | 5,335,733 | - | 110,912 | - | - | 639,670 | - | - | 10,365,858 |
| Books and supplies | 8,604,705 | 104,614 | 598,210 | 554,469 | 13,896,959 | - | - | - | - | 27,237 | - | - | 23,786,194 |
| Contract services and operating expenditures | - | 796,479 | 726,122 | 131,733 | 1,140,922 | - | 106,242 | 1,364 | - | 179,707 | - | - | 3,082,569 |
| Other outgo | - | - | 90,872 | - | - | - | - | - | - | - | - | - | 90,872 |
| Capital outlay | - | - | - | 335,565 | 381,932 | - | 162,456 | 2,439,881 | - | 5,176,767 | - | - | 8,496,601 |
| Debt service: | | | | | | | | | | | | | |
| Principal retirement | - | - | - | - | - | - | - | - | - | - | 10,050,000 | 7,473,000 | 17,523,000 |
| Interest | - | - | - | - | - | - | - | - | - | - | 9,977,794 | 6,365,373 | 16,343,167 |
| Total expenditures | 8,604,705 | 3,516,310 | 5,775,914 | 7,312,451 | 31,380,431 | - | 596,179 | 2,441,245 | - | 7,374,658 | 20,027,794 | 13,838,373 | 100,868,060 |
| Excess (deficiency) of revenues over (under) expenditures | 217,886 | (93,318) | (135,890) | 8,825 | 11,469,116 | - | 28,559,723 | 24,088,882 | (1,300,746) | (6,100,158) | (4,887,245) | 3,042,361 | 54,869,436 |
| Other financing sources (uses): | | | | | | | | | | | | | |
| Transfers in | - | - | - | 180,123 | - | - | - | 109,157 | - | 1,786,806 | - | 845,425 | 2,921,511 |
| Transfers out | - | - | (151,717) | (188,347) | (980,044) | - | (100,000) | (20,547,870) | - | (845,425) | - | (1,500,462) | (24,313,865) |
| Total other financing sources (uses) | - | - | (151,717) | (8,224) | (980,044) | - | (100,000) | (20,438,713) | - | 941,381 | 5,086,421 | (655,037) | (16,305,933) |
| Net change in fund balances | 217,886 | (93,318) | (287,607) | 601 | 10,489,072 | - | 28,459,723 | 3,650,169 | (1,300,746) | (5,158,777) | 199,176 | 2,387,324 | 38,563,503 |
| Fund balance, July 1, 2022 | 5,829,415 | 6,081,985 | 4,455,973 | 289,908 | 16,336,472 | - | 42,402,070 | 28,980,679 | 2,290,065 | 45,970,075 | 16,896,962 | 18,539,451 | 188,073,055 |
| Fund balance, June 30, 2023 | <u>\$ 6,047,301</u> | <u>\$ 5,988,667</u> | <u>\$ 4,168,366</u> | <u>\$ 290,509</u> | <u>\$ 26,825,544</u> | <u>\$ -</u> | <u>\$ 70,861,793</u> | <u>\$ 32,630,848</u> | <u>\$ 989,319</u> | <u>\$ 40,811,298</u> | <u>\$ 17,096,138</u> | <u>\$ 20,926,775</u> | <u>\$ 226,636,558</u> |

See accompanying notes to required supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT
ORGANIZATION
For the Year Ended June 30, 2023

Elk Grove Unified School District was established in 1959 through the unification of smaller school districts. The District is a political subdivision of the State of California. The District covers 320 square miles within the cities of Elk Grove, Sacramento, Rancho Cordova and unincorporated areas of Sacramento County. There were no changes in the boundaries of the District during the year. The District operates 43 elementary schools, nine middle schools, nine comprehensive high schools, three alternative high schools, one special education school, one adult school, one independent study school, one charter school.

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

GOVERNING BOARD

| <u>Name</u> | <u>Office</u> | <u>Term Expires</u> |
|------------------------|----------------|---------------------|
| Nancy Chaires Espinoza | President | December 2024 |
| Gina Jamerson | Clerk | December 2026 |
| Beth Albiani | Member | December 2026 |
| Carmine S. Forcina | Member | December 2024 |
| Anthony "Tony" Perez | Member | December 2024 |
| Michael Vargas | Member | December 2026 |
| Sean J. Yang | Member | December 2024 |
| Oliver Trach | Student Member | June 2023 |

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

ADMINISTRATION

Christopher R. Hoffman
Superintendent

Kristen Coates, Ed. D.
Deputy Superintendent, Business Services and Facilities

Amari Watkins, CPA (Inactive)
Chief Financial Officer

Mark Cerutti
Deputy Superintendent, Education Services and Schools

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

Chad Sweitzer
Assistant Superintendent, Secondary Education

David E. Reilly
Associate Superintendent, Human Resources, Special Education & Negotiations

ELK GROVE UNIFIED SCHOOL DISTRICT
 SCHEDULE AVERAGE DAILY ATTENDANCE
 For the Year Ended June 30, 2023

| | <u>Second Period Report</u> | <u>Audited Second Period Report*</u> | <u>Annual Report</u> |
|---|-------------------------------------|--|--------------------------|
| DISTRICT | | | |
| Certificate Number | F8A73C31 | E8BF4B2F | 60F9082B |
| Elementary: | | | |
| Transitional Kindergarten through Third | 16,343 | 16,342 | 16,393 |
| Fourth through Sixth | 13,117 | 13,119 | 13,145 |
| Seventh and Eighth | <u>8,770</u> | <u>8,770</u> | <u>8,757</u> |
| Subtotal Elementary | <u>38,230</u> | <u>38,231</u> | <u>38,295</u> |
| Secondary: | | | |
| Ninth through Twelfth | <u>18,792</u> | <u>18,792</u> | <u>18,701</u> |
| Total District | <u><u>57,022</u></u> | <u><u>57,023</u></u> | <u><u>56,996</u></u> |

CHARTER SCHOOL

Elk Grove Charter

| | | | |
|---------------------------------------|-------------------|-------------------|-------------------|
| Certificate Number | 28E04BF9 | 7FE29E96 | 8636CDDB |
| Charter School - Non Classroom-Based: | | | |
| Secondary Education | <u><u>274</u></u> | <u><u>273</u></u> | <u><u>274</u></u> |

* Changes in ADA were determined by the District revising their ADA totals.

ELK GROVE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 For the Year Ended June 30, 2023

| <u>GRADE LEVEL</u> | Statutory Minutes Requirement | 2022-2023 Actual Minutes Offered* | Actual Number of Days Offered* | Credited Days per Approval Form J-13A* | Number of Days Traditional Calendar | <u>Status</u> |
|------------------------|-------------------------------------|--|---|---|--|---------------|
| <u>DISTRICT</u> | | | | | | |
| Kindergarten | 36,000 | 36,000 | 180 | - | 180 | In Compliance |
| Grade 1 | 50,400 | 51,870 | 175 | 5 | 180 | In Compliance |
| Grade 2 | 50,400 | 51,870 | 175 | 5 | 180 | In Compliance |
| Grade 3 | 50,400 | 52,575 | 175 | 5 | 180 | In Compliance |
| Grade 4 | 54,000 | 54,185 | 175 | 5 | 180 | In Compliance |
| Grade 5 | 54,000 | 54,185 | 175 | 5 | 180 | In Compliance |
| Grade 6 | 54,000 | 54,185 | 175 | 5 | 180 | In Compliance |
| Grade 7 | 54,000 | 59,495 | 180 | - | 180 | In Compliance |
| Grade 8 | 54,000 | 59,495 | 180 | - | 180 | In Compliance |
| Grade 9 | 64,800 | 64,915 | 180 | - | 180 | In Compliance |
| Grade 10 | 64,800 | 64,915 | 180 | - | 180 | In Compliance |
| Grade 11 | 64,800 | 64,915 | 180 | - | 180 | In Compliance |
| Grade 12 | 64,800 | 64,915 | 180 | - | 180 | In Compliance |

* Consumes River, CW Dillard and Charles Mack had total minutes of 36,000 and 180 days, for Kindergarten, which included J-13A Waiver of 400, 400 and 200 minutes, respectively, and 2, 2 and 1 days, respectively, which was approved on October 10, 2023.

* Joseph Sims had total minutes of 36,081, for Kindergarten, which included J-13A Waiver of 422 minutes and 2 days which was approved on October 10, 2023.

*Consumes River, CW Dillard and Charles Mack had total minutes of 55,325, 55,475, and 55,025 and 180 days, for grades 1 through 6, which included J-13A Waiver of 650, 650, and 325 minutes and 2,2, and 1 days, respectively. which was approved on October 10, 2023.

*Joseph Sims had total minutes of 54,585, for grades 1 through 6, which included J-13A Waiver of 670 minutes and 2 days which was approved on October 10, 2023.

ELK GROVE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2023

| <u>Assistance Listing Number</u> | <u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Federal Expenditures</u> |
|---|--|---|-----------------------------|
| <u>U.S. Department of Education - Passed through California Department of Education</u> | | | |
| Special Education IDEA Cluster: | | | |
| 84.027A | Special Ed: Mental Health Services | 15197 | \$ 713,807 |
| 84.027 | Special Ed: Basic Grant Entitlement PL 101-476 | 13379 | 11,035,727 |
| 84.027 | Special Ed: IDEA Local Asst Private School | 10115 | 54,877 |
| 84.027 | Special Ed: ARP IDEA Part B, Sec. 611, Local Assistance Entitlement | 15638 | 2,531,430 |
| 84.173 | Special Ed: ARP IDEA Part B, Sec. 619, Preschool Grants | 15639 | 216,887 |
| 84.173 | Special Ed: IDEA Preschool Grants | 13430 | <u>212,716</u> |
| | Subtotal Special Education IDEA Cluster | | <u>14,765,444</u> |
| Adult Education Programs: | | | |
| 84.002A | Adult Education: Adult Basic Education & ESL | 14508 | 292,083 |
| 84.002A | Adult Education: English Literacy & Civics Education | 14109 | 60,563 |
| 84.002A | Adult Education: Institutionalized Adults | 13971 | 163,605 |
| 84.002A | Adult Education: Adult Secondary Education | 13978 | <u>193,480</u> |
| | Subtotal Adult Education Programs | | <u>709,731</u> |
| Vocational Programs: | | | |
| 84.048 | Vocational Programs: Voc & Appl Tech Secondary IIC | 14894 | 681,515 |
| 84.048A | Vocational Programs: Post Secondary & Adult IIC | 14893 | <u>54,632</u> |
| | Subtotal Vocational Programs | | <u>736,147</u> |
| ESEA: Title I, Part A Programs: | | | |
| 84.010 | ESEA: Title I: Basic Grants Low-Income and Neglected | 14329 | 15,167,801 |
| 84.010 | ESSA School Improvement Funding for LEA's | 15438 | <u>1,037,413</u> |
| | Subtotal ESEA: Title I, Part A Programs | | <u>16,205,214</u> |

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2023

| Assistance Listing Number | Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Pass-Through Entity Identifying Number | Federal Expenditures |
|---------------------------------|---|---|-------------------------|
| | COVID-19 - Education Stabilization Fund Programs: | | |
| 84.425 | COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER) | 15536 | \$ 1,000 |
| 84.425 | COVID-19 - Elementary and Secondary School Emergency Relief II (ESSER II) Fund | 15547 | 35,440,097 |
| 84.425 | COVID-19 - Elementary and Secondary School Emergency Relief III (ESSER III) Fund | 15559 | 18,299,869 |
| 84.425U | COVID 19 - Elementary and Secondary School Emergency Relief III (ESSER III) Fund: Learning Loss | 10155 | 16,611,412 |
| 84.425 | COVID 19 - American Rescue Plan-Homeless Children and Youth (ARP-HCY) Program | 15564 | 26,366 |
| 84.425 | COVID 19 - American Rescue Plan - Homeless Children and Youth II | 15566 | 69,365 |
| 84.425 | COVID-19 - Expanded Learning Opportunities (ELO) Grant ESSER II State Reserve | 15618 | 699,741 |
| 84.425 | COVID-19 - Expanded Learning Opportunities Grant GEER II | 15619 | 1,231,626 |
| 84.425U | COVID-19 - Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve Emergency Needs | 15620 | 58,659 |
| 84.425 | COVID-19 - Expanded Learning Opportunities (ELO) Grant: ESSER III State Reserve, Learning Loss | 15621 | 149,144 |
| 84.425 | COVID-19 - 21st Century Community Learning Centers (CCLC) Rate Increase: ESSER III State Reserve Afterschool Program | 15651 | 71,987 |
| 84.425 | COVID-19 - ASES Rate Increase: ESSER III State Reserve Summer Learning Programs | 15652 | <u>98,978</u> |
| | Subtotal COVID-19 - Education Stabilization Fund Programs | | <u>72,758,244</u> |
| 84.287 | ESSA: Title IV, Part B, 21st Century Community Learning Centers Program | 14535 | 2,644,688 |
| 84.181 | Special Education: IDEA Early Intervention Grants | 23761 | 53,605 |
| 84.365 | ESEA: Title III, Limited English Proficient (LEP) Student Program | 14346 | 1,273,201 |
| 84.367 | ESEA: Title II, Part A, Teacher Quality Local Grants | 14341 | 2,535,433 |
| 84.424 | ESEA: Title IV, Part A, Student Support and Academic Enrichment Grants | 15396 | 1,476,035 |
| 84.126 | Department of Rehabilitation: Workability II, Transitions Partnership Program | 10006 | 277,169 |
| 84.060 | Indian Education | 10011 | 70,871 |
| 84.196A | ESSA: Education for Homeless Children and Youth | 14332 | <u>74,941</u> |
| | Total U.S. Department of Education | | <u>113,580,723</u> |

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2023

| Assistance Listing Number | Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Pass-Through Entity Identifying Number | Federal Expenditures |
|---|--|---|-------------------------|
| <u>U.S. Department of Labor - Passed through California Department of Education</u> | | | |
| | WIOA Cluster: | | |
| 17.258 | SETA: Refugee Support Services | * | \$ <u>1,232,037</u> |
| | Total U.S. Department of Labor | | <u>1,232,037</u> |
| <u>U.S. Department of Health and Human Services - Passed through California Department of Education</u> | | | |
| 93.600 | Head Start - Basic - Head Start Cluster | 10016 | <u>4,182,419</u> |
| | Total U.S. Department of Health and Human Services | | <u>4,182,419</u> |
| <u>U.S. Department of Agriculture - Passed through California Department of Education</u> | | | |
| | Child Nutrition Cluster: | | |
| 10.555 | Child Nutrition: School Programs (NSL Sec 4) - Child National School Lunch Program | 13391 | 28,552,515 |
| 10.555 | Child Nutrition: Supply Chain Assistance (SCA) Funds | 15655 | 973,063 |
| 10.582 | Child Nutrition: Fresh Fruit and Vegetable Program | 14968 | <u>130,999</u> |
| | Subtotal Child Nutrition Cluster | | <u>29,656,577</u> |
| 10.558 | Child Nutrition: CACFP Claims Centers and Family Day Day Care | 13393 | <u>1,381,817</u> |
| | Total U.S. Department of Agriculture | | <u>31,038,394</u> |
| | Total Federal Programs | | <u>\$ 150,033,573</u> |

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

See accompanying notes to supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

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

See accompanying notes to supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
UNAUDITED
For the Year Ended June 30, 2023

| | (Budgeted) <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> |
|--|---------------------------|-------------------------|-----------------------|-------------------------|
| <u>General Fund</u> | | | | |
| Revenues and other financing sources | \$ 1,002,646,365 | \$ 1,068,684,891 | \$ 888,727,968 | \$ 802,709,968 |
| Expenditures | 915,155,774 | 965,617,473 | 871,086,008 | 758,586,230 |
| Other uses and transfers out | <u>1,942,344</u> | <u>180,123</u> | <u>276,586</u> | <u>4,523,947</u> |
| Total outgo | <u>917,098,118</u> | <u>965,797,596</u> | <u>871,362,594</u> | <u>763,110,177</u> |
| Change in fund balance | <u>\$ 85,548,247</u> | <u>\$ 102,887,295</u> | <u>\$ 17,365,374</u> | <u>\$ 39,599,791</u> |
| Ending fund balance | <u>\$ 379,479,048</u> | <u>\$ 293,930,801</u> | <u>\$ 191,043,506</u> | <u>\$ 173,678,132</u> |
| Available reserves | <u>\$ 20,000,000</u> | <u>\$ 19,300,000</u> | <u>\$ 20,400,000</u> | <u>\$ 16,400,000</u> |
| Designated for economic uncertainties | <u>\$ 20,000,000</u> | <u>\$ 19,300,000</u> | <u>\$ 20,400,000</u> | <u>\$ 16,400,000</u> |
| Undesignated fund balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Available reserves as percentages of total outgo | <u>2.18%</u> | <u>2.00%</u> | <u>2.34%</u> | <u>2.15%</u> |
| <u>All Funds</u> | | | | |
| Total long-term liabilities | <u>\$ 1,291,938,300</u> | <u>\$ 1,291,938,300</u> | <u>\$ 906,492,921</u> | <u>\$ 1,316,176,074</u> |
| Average daily attendance at P-2 | <u>57,522</u> | <u>57,023</u> | <u>56,169</u> | <u>60,769</u> |

The General Fund balance has increased by \$159,852,460 over the past three years. The fiscal year 2023-2024 budget, as originally adopted, projects an increase of \$85,548,247. For a district this size (budgeted ADA in excess of 30,000), the state recommends available reserves of at least two percent of total General Fund expenditures, transfers out, and other uses (total outgo). The District has met this requirement.

The District has incurred operating surpluses over the past three years and anticipates an operating surplus during the 2023-2024 fiscal year.

Total long-term liabilities have decreased by \$24,237,774 over the past three years, as shown in Note 6 to the basic financial statements.

Average daily attendance has decreased by 3,746 over the past three years. For the year ended June 30, 2024 the District anticipates an increase of 499 ADA.

See accompanying notes to supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2023

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

See accompanying notes to supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FIRST 5 REVENUES AND EXPENDITURES
For the Year Ended June 30, 2023

| | First 5/ School <u>Readiness</u> | All Other Programs | Total Child Development <u>Fund</u> |
|--|--|-----------------------|---|
| Revenues: | | | |
| Federal revenue sources | \$ - | \$ 4,529,155 | \$ 4,529,155 |
| State revenue sources | - | 2,258,414 | 2,258,414 |
| Local revenue sources | <u>507,684</u> | <u>26,023</u> | <u>533,707</u> |
| Total revenues | <u>507,684</u> | <u>6,813,592</u> | <u>7,321,276</u> |
| Expenditures: | | | |
| Current: | | | |
| Certificated salaries | 70,066 | 2,514,689 | 2,584,755 |
| Classified salaries | 222,840 | 1,426,811 | 1,649,651 |
| Employee benefits | 174,676 | 1,881,602 | 2,056,278 |
| Books and supplies | 17,436 | 537,033 | 554,469 |
| Contract services and operating expenditures | 4,628 | 127,105 | 131,733 |
| Capital Outlay | <u>-</u> | <u>335,565</u> | <u>335,565</u> |
| Total Expenditures | <u>489,646</u> | <u>6,822,805</u> | <u>7,312,451</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>18,038</u> | <u>(9,213)</u> | <u>8,825</u> |
| Other financing sources (uses): | | | |
| Transfers in | 4,976 | 175,147 | 180,123 |
| Transfers out | <u>(23,014)</u> | <u>(165,333)</u> | <u>(188,347)</u> |
| Total other financing sources (uses): | <u>(18,038)</u> | <u>9,814</u> | <u>(8,224)</u> |
| Net change in fund balances | - | 601 | 601 |
| Fund balances, July 1, 2022 | <u>-</u> | <u>289,908</u> | <u>289,908</u> |
| Fund balances, June 30, 2023 | <u>\$ -</u> | <u>\$ 290,509</u> | <u>\$ 290,509</u> |

See accompanying notes to supplementary information.

ELK GROVE UNIFIED SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2023

NOTE 1 - PURPOSE OF SCHEDULES

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

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

Schedule of Expenditures of Federal Awards: The Schedule of Expenditure of Federal Awards includes the federal award activity of Elk Grove Unified School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimus indirect cost rate allowed under Uniform Guidance. There were no funds passed through to subrecipients.

Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements: This schedule provides the information necessary to reconcile the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis – Unaudited: This schedule provides trend information on the District's financial condition over the past three years and its anticipated condition for the 2023-2024 fiscal year, as required by the State Controller's Office. The information in this schedule has been derived from audited information.

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

Schedule of First 5 Revenues and Expenditures: This schedule provides information about the First 5 Sacramento County Program.

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the year ended June 30, 2023, the District did not adopt this program.

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

Report on Compliance***Qualified Opinion on State Compliance***

We have audited Elk Grove Unified School District's (the District) compliance with the requirements specified in the State of California *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to the District's state program requirements identified below for the year ended June 30, 2023.

In our opinion, except for the noncompliance described in the Basis of Qualified Opinion paragraph, the District complied, in all material respects, with the compliance requirements that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2023.

Basis for Qualified Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Matters Giving Rise to Qualified Opinion on State Laws and Regulations

As described in finding 2023-002 in the accompanying Schedule of Audit Findings and Questioned Costs, the District did not comply with the requirements regarding Attendance. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to the state laws and regulations referred to above.

(Continued)

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

| <u>2022-23 K-12 Audit Guide Procedures</u> | <u>Procedures Performed</u> |
|---|-----------------------------|
| <i>Local Education Agencies Other than Charter Schools:</i> | |
| A. Attendance | Yes |
| B. Teacher Certification and Misassignments | Yes |
| C. Kindergarten Continuance | Yes |
| D. Independent Study | Yes |
| E. Continuation Education | Yes |
| F. Instructional Time | Yes |
| G. Instructional Materials | Yes |
| H. Ratio of Administrative Employees to Teachers | Yes |
| I. Classroom Teacher Salaries | Yes |
| J. Early Retirement Incentive | N/A, see below |
| K. Gann Limit Calculation | Yes |
| L. School Accountability Report Card | Yes |
| M. Juvenile Court Schools | N/A, see below |

(Continued)

| | |
|---|----------------|
| N. Middle or Early College High Schools | N/A, see below |
| O. K-3 Grade Span Adjustment | Yes |
| P. Transportation Maintenance of Effort | Yes |
| Q. Apprenticeship: Related and Supplemental Instruction | N/A, see below |
| R. Comprehensive School Safety Plan | Yes |
| S. District of Choice | N/A, see below |
| TT. Home to School Transportation Reimbursement | Yes |
| UU. Independent Study Certification for ADA Loss Mitigation | Yes |

School Districts, County Offices of Education, and Charter Schools:

| | |
|---|----------------|
| T. California Clean Energy Jobs Act | N/A, see below |
| U. After/Before School Education and Safety Program | Yes |
| V. Proper Expenditure of Education Protection Account Funds | Yes |
| W. Unduplicated Local Control Funding Formula Pupil Counts | Yes |
| X. Local Control and Accountability Plan | Yes |
| Y. Independent Study – Course-Based | N/A, see below |
| Z. Immunizations | N/A, see below |
| AZ. Educator Effectiveness | Yes |
| BZ. Expanded Learning Opportunities Grant (ELO-G) | Yes |
| CZ. Career Technical Education Incentive Grant | Yes |
| EZ. Transitional Kindergarten | Yes |

Charter Schools:

| | |
|---|----------------|
| AA. Attendance | Yes |
| BB. Mode of Instruction | N/A, see below |
| CC. Nonclassroom-Based Instruction/Independent Study | Yes |
| DD. Determination of Funding for Nonclassroom-Based Instruction | Yes |
| EE. Annual Instructional Minutes-Classroom Based | N/A, see below |
| FF. Charter School Facility Grant Program | N/A, see below |

The District did not offer an Early Retirement Incentive Program; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District did not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District did not have Middle or Early College High Schools; therefore, we did not perform any procedures related to Middle or Early College High Schools.

The District did not offer Apprenticeship: Related and Supplemental Instruction; therefore, we did not perform any procedures related to Apprenticeship: Related and Supplemental Instruction.

The District did not elect to operate as a District of Choice; therefore, we did not perform any procedures related to District of Choice.

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

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

The District did not require testing for Immunizations; therefore, we did not perform any procedures related to Immunizations.

The District does not offer classroom-based instruction for charter schools; therefore, we did not perform any procedures related to Mode of Instruction and Annual Instructional Minutes - Classroom-Based for charter schools.

(Continued)

The District did not expend any Charter School Facilities Grant Program funds in the current year; therefore, we did not perform any procedures related to the program.

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

Other Matter

Government Auditing Standards require the auditor to perform limited procedures on the District's response to the noncompliance finding identified in an audit and disclosed in the accompanying Schedule of Audit Findings and Question Costs. The District's response was not subjected to the auditing procedures applied in the audit of the state compliance and accordingly we express no opinion on it.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance 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 a material noncompliance with compliance requirement 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.


Crowe LLP

Sacramento, California
December 15, 2023

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Elk Grove Unified School District as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Elk Grove Unified School District's basic financial statements, and have issued our report thereon dated December 15, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

We identified a deficiency involving internal control that we communicated to management as identified in the accompanying Schedule of Audit Findings and Questioned Costs as finding 2023-001.

(Continued)

Compliance and Other Matters

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

Elk Grove Unified School District's Response to Finding

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

Purpose of this Report

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


Crowe LLP

Sacramento, California
December 15, 2023

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

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

Report on Compliance

Opinion on First 5 Sacramento County Program

We have audited Elk Grove Unified School District's compliance with the types of compliance requirements described in the Program Guidelines for the First 5 Sacramento County Program that have a direct and material effect on its First 5 Sacramento County Program for the year ended June 30, 2023.

In our opinion, Elk Grove Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its First 5 Sacramento County Program for the year ended June 30, 2023.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the First 5 Sacramento County Program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the First 5 Sacramento County Program Guidelines will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the government program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the First 5 Sacramento County Program Guidelines, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the First 5 Sacramento County Program Guidelines, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the First 5 Sacramento County Program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the First 5 Sacramento County Program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the First 5 Sacramento County Program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of First 5 Sacramento County Program Guidelines. Accordingly, this report is not suitable for any other purpose.


Crowe LLP

Sacramento, California
December 15, 2023

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Elk Grove Unified School District's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Elk Grove Unified School District's major federal programs for the year ended June 30, 2023. Elk Grove Unified School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Elk Grove Unified School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

(Continued)

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

(Continued)

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

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

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


Crowe LLP

Sacramento, California
December 15, 2023

FINDINGS AND RECOMMENDATIONS

ELK GROVE UNIFIED SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

| | | |
|--|-----------|---|
| Material weakness(es) identified? | _____ Yes | _____ <input checked="" type="checkbox"/> No |
| Significant deficiency(ies) identified not considered to be material weakness(es)? | _____ Yes | _____ <input checked="" type="checkbox"/> None reported |
| Noncompliance material to financial statements noted? | _____ Yes | _____ <input checked="" type="checkbox"/> No |

FEDERAL AWARDS

Internal control over major programs:

| | | |
|--|-----------|---|
| Material weakness(es) identified? | _____ Yes | _____ <input checked="" type="checkbox"/> No |
| Significant deficiency(ies) identified not considered to be material weakness(es)? | _____ Yes | _____ <input checked="" type="checkbox"/> None reported |

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes No

Identification of major programs:

| <u>AL Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-------------------------|--|
| 84.425, 84.425U | COVID-19 - Education Stabilization Fund Programs |
| 84.027, 84.027A, 84.173 | Special Education Cluster |
| 93.600 | Head Start Cluster |

Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000

Auditee qualified as low-risk auditee? _____ Yes No

STATE AWARDS

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

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

SECTION II - FINANCIAL STATEMENT FINDINGS

2023-001 DEFICIENCY – VACATION ACCRUAL (30000)

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

Condition: As of June 30, 2023, there are approximately 921 employees who exceed the maximum days permitted by policy, by a total of approximately 31,898 excess days, representing an excess vacation accrual of \$8,019,199.

Effect: Increased liability to the district, to be paid in future years based on the over accrual.

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

Fiscal Impact: At June 30, 2023, the excess vacation accrual is \$8,019,199.

Recommendation: This is a repeat finding identified in the 2021-22 Audit Report as Finding 2022-001. The District should enforce the requirements set in the collective bargaining contracts and District policy.

Views of Responsible Officials and Planned Corrective Action: The District is continuing to implement processes in partnership with its bargaining partners to reduce the accrued liability below the allowable maximum days permitted by policy and bargaining contracts. This includes one-time payouts to reduce balances, paying out vacation accruals annually, elective payouts for hardship reasons, and limiting vacation balances to 80 hours when promoting to a position in a different bargaining unit by paying out excess balances. The District will continue to discuss the issue with its bargaining partners to find solutions to reduce the balance of excess days.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

ELK GROVE UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2023

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

2023-002 DEFICIENCY – ATTENDANCE REPORTING (10000)

Criteria: Attendance Accounting and Reporting in California Public Schools, Title 5, CCR, Sections 401 and 421 (b) and Education Code Sections 44809 - Each LEA must develop and maintain accurate and adequate records to support attendance reported to the State.

Condition: At Harriet Eddy Middle School, one student was improperly claimed for apportionment, resulting in an overstatement of 0.01 ADA.

Effect: The effect of this finding is an overstatement of 0.01 ADA.

Cause: The errors were the result of clerical errors in accounting for attendance.

Fiscal Impact: The error is below 0.50 ADA, therefore there is no fiscal impact.

Recommendation: This is a repeat finding identified in the 2021-22 Audit Report as Finding 2022-002. The District should obtain and maintain appropriate attendance records to be in compliance with attendance requirements.

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

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

ELK GROVE UNIFIED SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2023

2022-001 DEFICIENCY – VACATION ACCRUAL (30000)

Condition: As of June 30, 2022, there are approximately 963 employees who exceed the maximum days permitted by policy, by a total of approximately 31,534 excess days, representing an excess vacation accrual of \$6,671,034.

Recommendation: This is a repeat finding identified in the 2020-21 Audit Report as Finding 2021-001. The District should enforce the requirements set in the collective bargaining contracts and District policy.

Current Status: Not implemented.

District Explanation if Not Implemented: Repeat Finding. See current year finding 2023-001.

2022-002 DEFICIENCY – ATTENDANCE REPORTING (10000)

Condition: At Stone Lake Elementary School and James Rutter Middle School, two students were improperly claimed for apportionment, for one day, resulting in an overstatement of 0.01 ADA.

Recommendation: This is a repeat finding identified in the 2020-21 Audit Report as Finding 2021-001. The District should obtain and maintain appropriate attendance records to be in compliance with attendance requirements.

Current Status: Not implemented.

District Explanation if Not Implemented: See current year finding 2023-002.