

**GILROY UNIFIED SCHOOL DISTRICT**

**COUNTY OF SANTA CLARA  
GILROY, CALIFORNIA**

**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED JUNE 30, 2021**

# GILROY UNIFIED SCHOOL DISTRICT

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# GILROY UNIFIED SCHOOL DISTRICT

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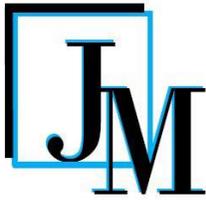
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**James Marta & Company LLP**  
*Certified Public Accountants*

*Accounting, Auditing, Consulting and Tax*

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## INDEPENDENT AUDITOR'S REPORT

To the Governing Board  
Gilroy Unified School District  
Gilroy, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gilroy Unified School District (the "District"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Change in Accounting Principle*

As described in Note 1AA to the financial statements, the District adopted GASB Statement No. 84, Fiduciary Activities which required a restatement of net position as of July 1, 2020. Our opinion is not modified with respect to this matter.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget (Non-GAAP) and Actual - General Fund and Cafeteria Fund, Schedule of Proportionate Share of Net Pension Liability and Schedule of Pension Contributions, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

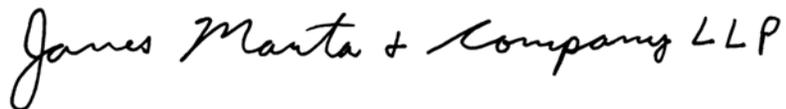
### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information as listed in the table of contents, including the schedule of expenditures of federal awards, as required by the July 2021 Edition of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance), Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 4, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
November 4, 2021

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**GILROY UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR FISCAL YEAR ENDED JUNE 30, 2021**

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This section of Gilroy Unified School District's (the "District") 2020-21 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section.

**DISTRICT PROFILE**

Gilroy Unified School District is located in Gilroy, California, nestled in the southern portion of Santa Clara County, midway between San Francisco and Monterey Bay. Gilroy is home to numerous award-winning wineries, parks, golf courses, a charming historic downtown district, the Gilroy Premium Outlets, and the Gilroy Gardens Family Theme Park. Gilroy is the "Garlic Capital of the World!" The annual Garlic Festival in July continues to draw more than 100,000 visitors from around the globe and has raised more than \$10 million for local schools, charities and non-profits.

According to the latest projections of the U.S. Census Bureau (2021), Gilroy's population estimate is 59,920, representing less than a 2% increase in population from last year. The City of Gilroy has approved several single-family subdivisions, and multi-family developments, which are projected to add 200 to 400 residents over the next several years. Yet despite the steady rise in residential construction, the District is declining in elementary enrollment (a decline of over 400 in the last four years). The key attributing factors for the decline are as follows;

- low birth rates both in Santa Clara County and in Gilroy,
- high cost of living
- lower student generation rates (SGR) on new residential construction

The Governing Board has taken tough but proactive measures to address the impacts of declining enrollment. Over \$5 million worth of budget cuts have been implemented since 2017-18. Additionally, the Board authorized the formation of a Superintendent's Advisory Committee on School Closures, which lead to Board action to close Antonio Del Buono Elementary School for the 2020-21 school year. With kinder enrollment at historic lows, the lower cohort will affect total enrollment for years to come.

For the 2020-21 year, the District is comprised of seven elementary schools, three middle schools, two comprehensive high schools, one early college academy, one continuation school, and one charter school that serve approximately 10,900 students. The District currently employs approximately 1,050 staff members.

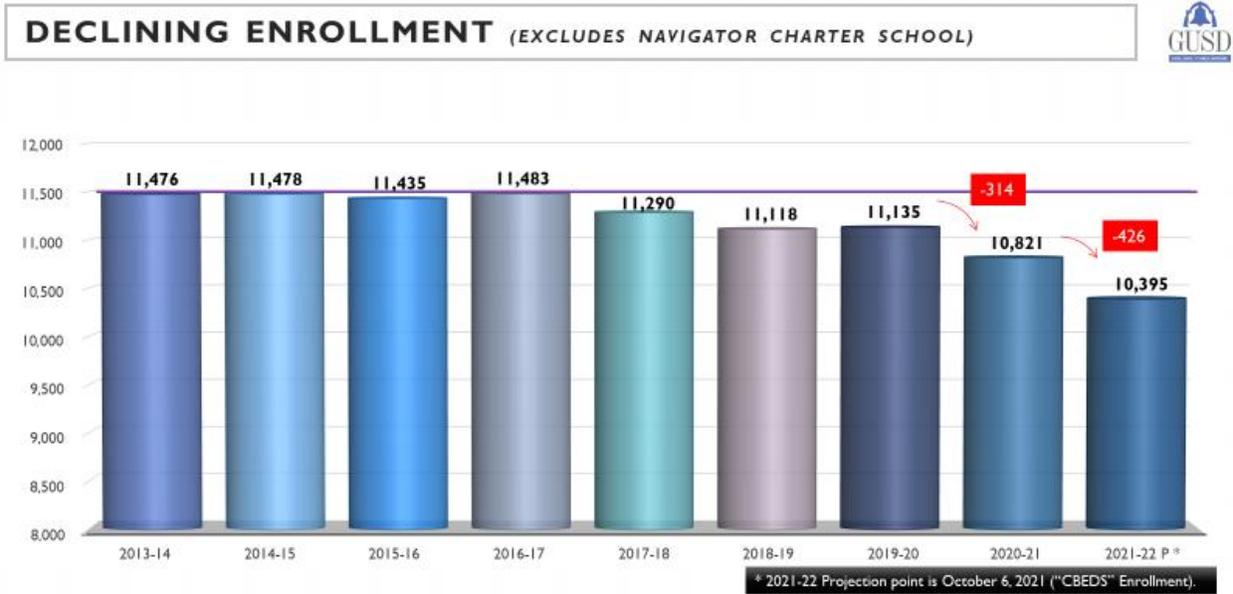
**MISSION**

Gilroy Unified School District will provide opportunities for all students to reach their highest academic and intellectual competencies and personal attributes to be life-long learners, responsible citizens, and productive members of society. This will be accomplished by having a clear focus on student needs; staff, parents and community members demonstrating high expectations for themselves and for every child served; and by continually improving the quality of teaching and learning.

**GILROY UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**FOR FISCAL YEAR ENDED JUNE 30, 2021**

**ENROLLMENT 2013-2022**

The table below shows a history of enrollment growth, excluding our Charter School, until 2020-21. The total enrollment projected for the 2021-22 fiscal year was 10,395. Based on the first 30 days of instruction, preliminary enrollment is stabilizing at about 10,620, indicating the decline will be about half of what the District was anticipating for the 2021-22 fiscal year. The official enrollment count takes place on the 1st Wednesday of every October. This snapshot of enrollment becomes what is commonly referred to as “CBEDS Enrollment.”



Source: data from DataQuest; includes NPS, Excludes Navigator.

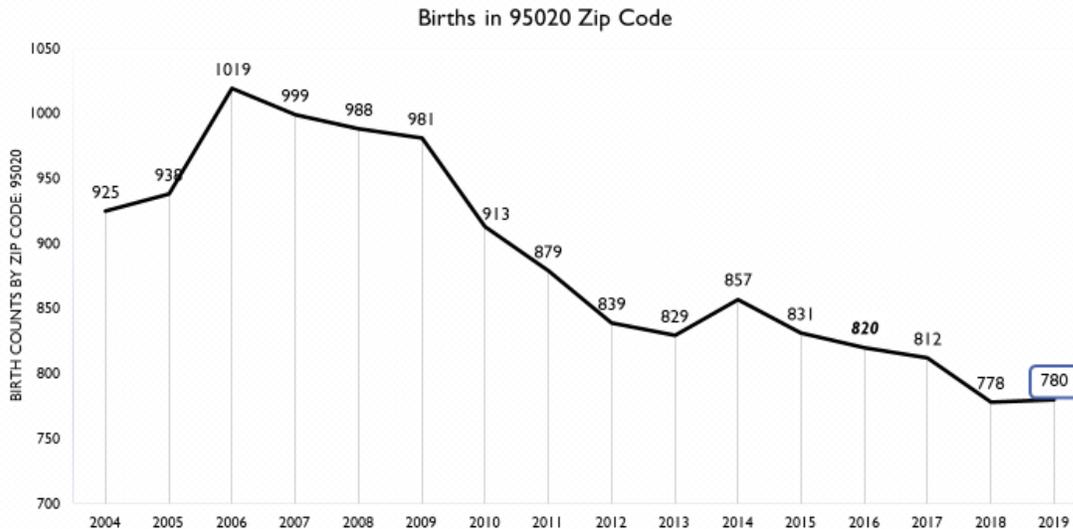
Historically, economic expansions have a positive correlation with increases in births. Despite the record shattering economic expansion, California has hit a 100-year low in birth counts. The table below shows the annual births in the Gilroy zip code, also depicting a substantial decline since 2006. Approximately 78% of annual births translate to an incoming kindergarten class.

**GILROY UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR FISCAL YEAR ENDED JUNE 30, 2021**

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**GILROY'S HISTORICAL BIRTH DATA (by zip code)**

**GILROY'S HISTORICAL BIRTH DATA (BY ZIP CODE)**



**FINANCIAL HIGHLIGHTS**

Despite the recent decline in enrollment, the District's reserves have remained strong, above the Governing Board's minimum reserve policy of seven percent (7%). For GUSD, declining enrollment means less funding. The District is committed to fiscal stability. To this end, the Governing Board has reduced the operating budget slashing over \$5 million since 2017-18. Additionally, the Board approved a Budget Development Calendar establishing a timeline for the budget development of the 2021-22 fiscal year, and routinely reviews the District's Multi-Year Projection (MYP). This timeline includes a Board discussion regarding the possibility of another school closure, pending final enrollment for the 2021-22 school year.

- As of June 30, 2021, the General fund ending balance was \$48,017,006, which was \$22.3 million higher than estimated actuals. This variance is attributed to three key factors; \$8.1 million of one-time carryover funds, a savings (\$1.9 million) in Special Education, and a large savings in supplies and services due to COVID.
- The General Fund available reserves as a percentage of total outgo (expenditures, other uses, and transfers out) was 23.65%, after accounting for committed balances.
- GASB 68 was implemented six years ago, which required the net pension liability to be recognized. An increase in the net pension liability of \$1,269,743 was recognized as of June 30, 2021. Deferred outflows related to pensions decreased by \$2,169,770 while deferred inflows related to pensions decreased by \$1,015,062.
- On the Statement of Activities, total current year revenues exceeded total current year expenses by \$11,935,021 as the District completes capital bond projects, and spends down one-time funds.

**GILROY UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR FISCAL YEAR ENDED JUNE 30, 2021**

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- Net Position increased 14.4% to \$94,566,263 as of June 30, 2021.
- The Governing Board is committed to maintaining its minimum reserve policy to maintain fiscal stability.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

*The Statement of Net Position and the Statement of Activities and Change in Net Position*

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

These two statements report the District's net position and changes in them. Net position is the difference between assets and liabilities, one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the District's enrollment, property tax base, and the condition of the District's facilities.

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

*Fund Financial Statements*

The fund financial statements are designed to report information about the District's most significant funds. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by bond covenants. The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues. Fund financial statements focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.

- Governmental funds statements tell how basic services such as instruction and pupil services were financed in the short term as well as what remains for future spending. Most of the District's basic services are included in governmental funds. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information in the reconciliation statements that explains the relationship (or differences) between them.
- Proprietary funds statements offer financial information about the activities the district operates on a cost reimbursement basis, such as the self-insurance fund. Proprietary funds are reported in the same way as the district-wide statements. The District currently has one internal service fund – the self-insurance fund for dental and vision benefits.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong such as associated student body accounts. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes. All of the District's fiduciary activities are

**GILROY UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR FISCAL YEAR ENDED JUNE 30, 2021**

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.

*Notes to the Basic Financial Statements*

Notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in district-wide and fund financial statements. The notes to the financial 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 general fund budget, both the adopted and final version, with year-end actuals.

**NET POSITION**

The District's combined net position, as of June 30, 2021, was \$94,566,263 reflecting an increase of 14.4%.

**Comparative Statement of Net Position**

	Governmental Activities		Change	Percent Change
	(As restated)			
	June 30, 2020	June 30, 2021		
<b>Assets</b>				
Current	\$ 111,065,837	\$ 192,387,441	\$ 81,321,604	73.2%
Capital Assets, net	376,270,490	397,922,342	21,651,852	5.8%
<b>Total Assets</b>	<b>487,336,327</b>	<b>590,309,783</b>	<b>102,973,456</b>	<b>21.1%</b>
<b>Deferred Outflows of Resources</b>				
Deferred loss on refunding bonds	16,608,020	17,400,357	792,337	4.8%
Pensions	63,361,524	61,191,754	(2,169,770)	-3.4%
<b>Total Deferred Outflows</b>	<b>79,969,544</b>	<b>78,592,111</b>	<b>(1,377,433)</b>	<b>-1.7%</b>
<b>Liabilities</b>				
Current	18,153,279	24,538,096	6,384,817	35.2%
Long-Term	434,420,044	513,755,797	79,335,753	18.3%
<b>Total Liabilities</b>	<b>452,573,323</b>	<b>538,293,893</b>	<b>85,720,570</b>	<b>18.9%</b>
<b>Deferred Inflows of Resources</b>				
Deferred bond premium revenue	11,649,724	14,864,676	3,214,952	27.6%
Deferred premium on COP	-	1,740,542	1,740,542	N/A
Pensions	20,451,582	19,436,520	(1,015,062)	-5.0%
<b>Total Deferred Inflows</b>	<b>32,101,306</b>	<b>36,041,738</b>	<b>3,940,432</b>	<b>12.3%</b>
<b>Net Position</b>				
Net investment in capital assets	112,216,471	118,532,853	6,316,382	5.6%
Restricted	73,038,742	141,108,964	68,070,222	93.2%
Unrestricted	(102,623,971)	(165,075,554)	(62,451,583)	60.9%
<b>Total Net Position</b>	<b>\$ 82,631,242</b>	<b>\$ 94,566,263</b>	<b>\$ 11,935,021</b>	<b>14.4%</b>

**GILROY UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR FISCAL YEAR ENDED JUNE 30, 2021**

**CHANGE IN NET POSITION**

The District's total revenues increased 13.5% to \$186,546,762. The total cost of all programs and services increased 14.3% to \$174,611,741. The District's expenses are predominantly related to educating and caring for students.

**Comparative Statement of Changes in Net Position**

	Governmental Activities		Change	Percent Change
	June 30, 2020	June 30, 2021		
<u>Program Revenues</u>				
Charges for Services	\$ 2,581,476	\$ 2,600,028	\$ 18,552	0.7%
Operating Grants & Contributions	24,718,046	48,309,690	23,591,644	95.4%
<u>General Revenues</u>				
Taxes Levied	82,694,492	76,113,241	(6,581,251)	-8.0%
Federal & State Aid	53,303,109	57,471,640	4,168,531	7.8%
Interest & Investment Earnings	648,314	547,047	(101,267)	-15.6%
Miscellaneous	411,100	1,505,116	1,094,016	266.1%
Total Revenues	<u>164,356,537</u>	<u>186,546,762</u>	<u>22,190,225</u>	<u>13.5%</u>
<u>Expenses</u>				
Instruction	73,239,523	81,431,926	8,192,403	11.2%
Instruction-Related Services	17,143,496	19,782,067	2,638,571	15.4%
Pupil Services	17,562,334	14,281,088	(3,281,246)	-18.7%
General Administration	6,281,813	11,218,789	4,936,976	78.6%
Plant Services	14,074,136	14,785,961	711,825	5.1%
Ancillary Services	1,136,091	1,265,440	129,349	11.4%
Community Services	48,896	42,182	(6,714)	-13.7%
Interest on Long-Term Debt	2,517,489	18,571,409	16,053,920	637.7%
Other Outgo	10,529,342	3,204,055	(7,325,287)	-69.6%
Depreciation	10,279,134	10,028,824	(250,310)	-2.4%
Total Expenses	<u>152,812,254</u>	<u>174,611,741</u>	<u>21,799,487</u>	<u>14.3%</u>
Change in Net Position	<u>\$ 11,544,283</u>	<u>\$ 11,935,021</u>	<u>\$ 390,738</u>	<u>3.4%</u>

**GILROY UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR FISCAL YEAR ENDED JUNE 30, 2021**

**LONG TERM LIABILITIES**

Total long-term liabilities increased by \$77.3 million (17.4%).

**Comparative Schedule of Long Term Liabilities**

	Governmental Activities		Change	Percent Change
	June 30, 2020	June 30, 2021		
Bonds	\$ 288,055,175	\$ 367,239,274	\$ 79,184,099	27.5%
Certificates of Participation	24,245,000	23,365,000	(880,000)	-3.6%
Accumulated Vacation - net	132,583	119,494	(13,089)	-9.9%
Net Pension Liability	132,222,286	133,492,029	1,269,743	1.0%
<b>Subtotal</b>	433,344,854	524,215,797	90,870,943	21.0%
Unamortized General Obligation Bond Premium	9,800,961	14,864,676	5,063,715	51.7%
Unamortized Certificates of Participation Premium	1,848,763	1,740,542	(108,221)	-5.9%
Unamortized Loss on Refunding	(16,608,020)	(17,400,357)	(792,337)	4.8%
<b>Total Long Term Obligations</b>	<b>\$ 446,111,635</b>	<b>\$ 523,420,658</b>	<b>\$ 77,309,023</b>	<b>17.3%</b>

The notes to the financial statements are an integral part of the financial presentation and contain more detailed information as to interest, principal, retirement amounts, and future debt retirement dates.

**CAPITAL ASSETS**

Capital assets, net of depreciation, increased from the prior year to \$397,922,342, representing a increase.

**GENERAL FUND**

*General Fund Budgetary Highlights*

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revises its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May revised figures and updated 45 days after the State approves its final budget. In addition, the District revises its budget at First and Second Interim and any other time there are significant changes.

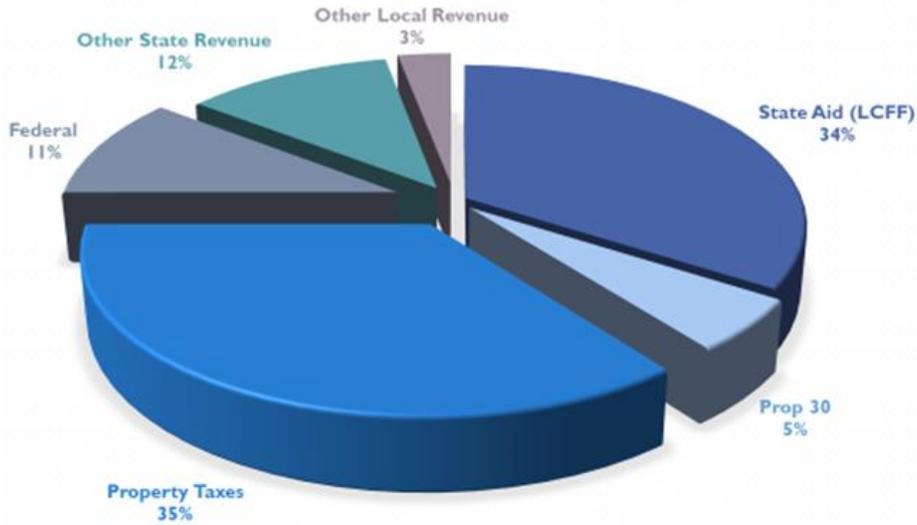
Other than the aforementioned instance, the District did not incur unanticipated expenditures in excess of appropriations in expenditure classifications for which the budget was not revised.

**GILROY UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR FISCAL YEAR ENDED JUNE 30, 2021**

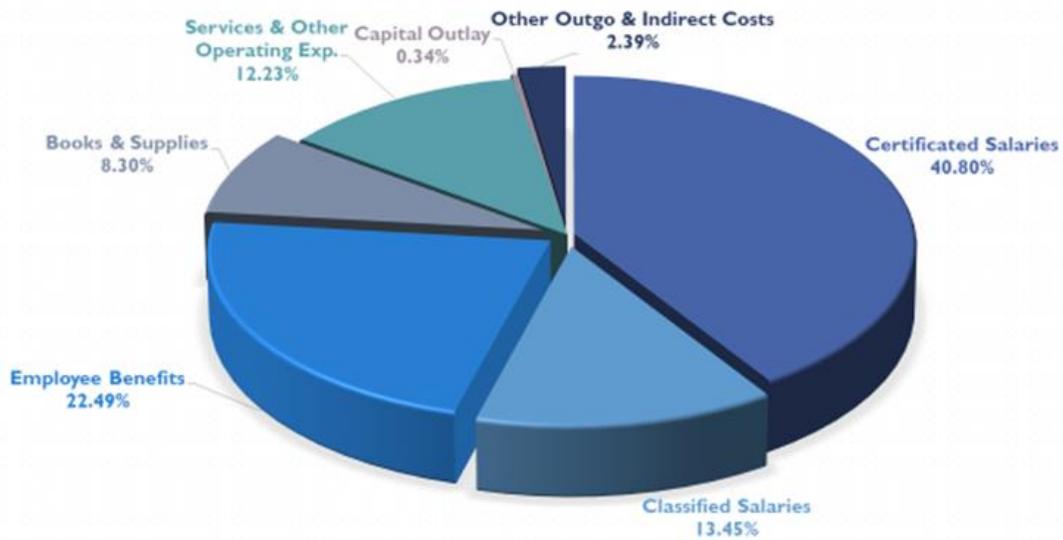
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**GOVERNMENTAL ACTIVITIES**

The following chart provides a breakdown of the \$148,923,545 million of General Fund revenues by category:

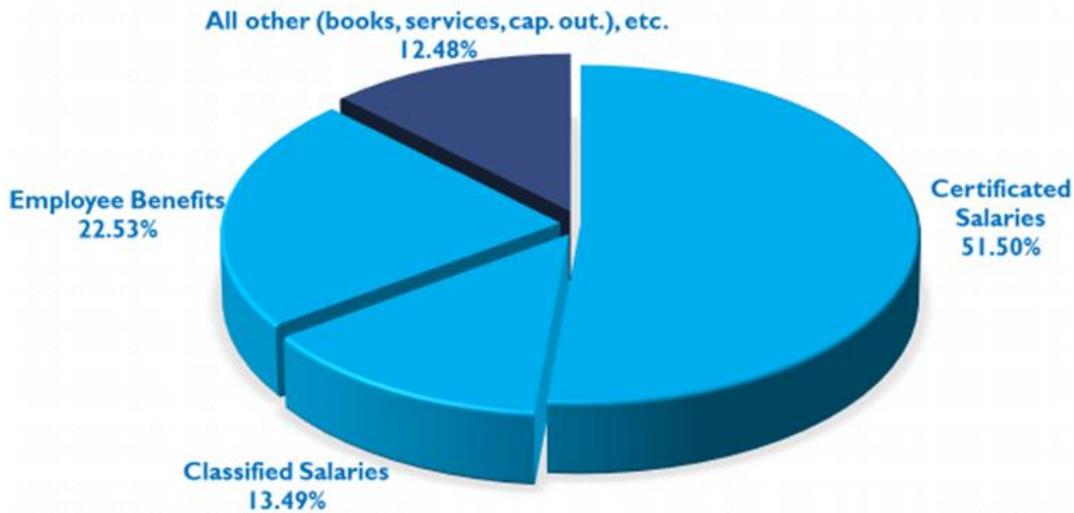


The following chart provides a breakdown of the \$135,847,890 million of General Fund expenditures by object classification:



**GILROY UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR FISCAL YEAR ENDED JUNE 30, 2021**

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**ECONOMIC FACTORS AND THE FY 2020-21 BUDGET**

California is the fifth economy in the world, yet it significantly lags behind the nation in its investment in public education. The full implementation of the Local Control Funding Formula is a step in the right direction; providing additional funding for the neediest of students. Nonetheless, the funding of public schools relies on the top 1 percent income earners in California, and creates an inherent volatility that counters the need to provide stability and predictability for our students and staff.

On March 2020, the Coronavirus turned into a global pandemic that led to a historic downturn in our economy, leading to a ‘shutdown’ of our brick and mortar instruction. The shutdown began on March 16, 2020, with a historic public health closure of all schools in Santa Clara County. This closure impacted the entire 2020-21 fiscal year.

As with the last quarter of the previous year, operationally, there were significant one-time savings related to the pandemic. These one-time savings led to a larger than anticipated fund balance, and a higher reserve level than forecasted (estimated actuals). Despite the one-time savings, the unrestricted actual salaries and benefits still represented **87.5%** of the Unrestricted General Fund expenditures - for the second year in a row. The unrestricted ending balance for 202-21 was \$40 million (unrestricted). However, after accounting for the carryover in Deferred Maintenance, site-based funds, and other commitments, the Designated for Economic Uncertainty (DEU) Reserve was 23.65%, versus the 15.05% that was forecasted in the estimated actuals.

Despite the obvious good news about the larger than anticipated ending balance, the District is experiencing triple digit declining enrollment. The Coronavirus has certainly played a huge role in accelerating this decline, but the birth rates and other economic pressures were clearly already established long before Covid-19. The preliminary enrollment levels indicate an overall decline of about 200 students from last school year. The enrollment loss is concentrated at the early grade levels and this will have an impact in our TK-12 footprint for years to come. It is important to note that October is the reference point for the enrollment projections, and the ‘enrollment’ count is fluid until that first Wednesday in October (CBEDS).

**GILROY UNIFIED SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR FISCAL YEAR ENDED JUNE 30, 2021**

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*Less students results in less funding!* The decline in enrollment will lead to a decline in Average Daily Attendance (ADA). The hold harmless protections that held the district 'harmless' and funded at an ADA level of 10,600 goes back to the 2019-20 fiscal year. GUSD declined by 314 students in 2020-21. Preliminary enrollment for this year appears to indicate a decline of about 200 students. The funded ADA will be reduced from the 10,600 level to about 9,800 ADA by next year. This loss will be partially offset by the projected COLA of 2.43% anticipated to be funded in 2022-23.

The GUSD Governing Board remains committed to fiscal solvency and fiscal stability. The District recognizes the increased exposure declining enrollment brings to the District, and the fiscally prudent decisions that must be made, however painful, to remain fiscally solvent for the current and subsequent years.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact the District Office, Gilroy Unified School District, 7810 Arroyo Circle, Gilroy, California 95020.

## **FINANCIAL SECTION**

**GILROY UNIFIED SCHOOL DISTRICT**

**STATEMENT OF NET POSITION**

**JUNE 30, 2021**

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash (note 2)	\$ 166,556,048
Receivables	25,756,836
Other assets	74,557
Capital Assets - net of accumulated depreciation (note 4)	397,922,342
Total Assets	590,309,783
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred loss on refunding of bonds (note 5)	17,400,357
Deferred outflows on pensions (note 6)	61,191,754
Total Deferred Outflows	78,592,111
 <b>LIABILITIES</b>	
Accounts payable and other current liabilities	12,678,691
Unearned revenue	1,399,405
Long-term liabilities (note 5)	
Due within one year	10,460,000
Due after one year	513,755,797
Total Liabilities	538,293,893
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred bond premium (note 5)	14,864,676
Deferred premium on COPs (note 5)	1,740,542
Deferred inflows on pensions (note 6)	19,436,520
Total Deferred Inflows	36,041,738
 <b>NET POSITION</b>	
Net investment in capital assets	118,532,853
Restricted	141,108,964
Unrestricted	(165,075,554)
Total Net Position	\$ 94,566,263

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

**GILROY UNIFIED SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

<b>Functions</b>	<b>Expenses</b>	<b>Program Revenues</b>		<b>Net (Expense)</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Revenues and Changes in Net Position</b>
				<b>Governmental Activities</b>
<b>Governmental Activities</b>				
Instruction	\$ 81,431,926	\$ 62,383	\$ 18,570,639	\$ (62,798,904)
Instruction - related services:				
Supervision of instruction	7,096,876	180,170	2,487,280	(4,429,426)
Instructional library and technology	244,138	-	13,185	(230,953)
School site administration	12,441,053	111,516	4,801,462	(7,528,075)
Pupil Services:				
Home-to-school transportation	2,175,303	-	359,672	(1,815,631)
Food services	4,150,672	954,187	2,764,894	(431,591)
All other pupil services	7,955,113	1,645	1,461,713	(6,491,755)
General administration:				
Data processing	4,820,888	-	3,959,514	(861,374)
All other general administration	6,397,901	13,507	431,000	(5,953,394)
Plant services	14,785,961	75,104	862,202	(13,848,655)
Ancillary services	1,265,440	-	472,108	(793,332)
Community services	42,182	791	7,837	(33,554)
Interest on long-term debt	18,571,409	-	-	(18,571,409)
Other outgo	3,204,055	1,200,725	12,118,184	10,114,854
Depreciation (unallocated)	10,028,824	-	-	(10,028,824)
<b>Total governmental activities</b>	<b>\$ 174,611,741</b>	<b>\$ 2,600,028</b>	<b>\$ 48,309,690</b>	<b>(123,702,023)</b>
<b>General Revenues</b>				
Taxes and subventions:				
Taxes levied for general purposes				56,668,236
Taxes levied for debt service				19,445,005
Federal and state aid not restricted to specific purposes				57,471,640
Interest and investment earnings				547,047
Miscellaneous				1,505,116
<b>Total general revenues</b>				<b>135,637,044</b>
Change in net position				11,935,021
Net position - beginning, July 1, 2020				81,847,412
Change in accounting principle (Note 1AA)				783,830
Net Position - beginning, as restated				82,631,242
Net position - ending, June 30, 2021				<b>\$ 94,566,263</b>

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

**GILROY UNIFIED SCHOOL DISTRICT**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**JUNE 30, 2021**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>All Non-Major Funds</b>	<b>Total</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 30,000,791	\$ 111,214,785	\$ 16,466,466	\$ 6,257,591	\$ 163,939,633
Accounts receivable	24,685,349	205,997	21,111	840,302	25,752,759
Stores	-	-	-	74,557	74,557
Due from other funds	751,851	-	-	-	751,851
Total assets	<u>\$ 55,437,991</u>	<u>\$ 111,420,782</u>	<u>\$ 16,487,577</u>	<u>\$ 7,172,450</u>	<u>\$ 190,518,800</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts payable	\$ 6,054,808	\$ 989,759	\$ -	\$ 122,020	\$ 7,166,587
Due to other funds	-	-	-	751,851	751,851
Unearned revenue	1,366,177	-	-	33,228	1,399,405
Total liabilities	<u>7,420,985</u>	<u>989,759</u>	<u>-</u>	<u>907,099</u>	<u>9,317,843</u>
Fund balances					
Nonspendable	50,000	-	-	74,557	124,557
Restricted	7,604,721	110,431,023	16,487,577	6,585,643	141,108,964
Assigned	8,135,963	-	-	-	8,135,963
Unassigned	32,226,322	-	-	(394,849)	31,831,473
Total fund balances	<u>48,017,006</u>	<u>110,431,023</u>	<u>16,487,577</u>	<u>6,265,351</u>	<u>181,200,957</u>
Total liabilities and fund balances	<u>\$ 55,437,991</u>	<u>\$ 111,420,782</u>	<u>\$ 16,487,577</u>	<u>\$ 7,172,450</u>	<u>\$ 190,518,800</u>

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

**GILROY UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION**

**GOVERNMENTAL FUNDS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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Total fund balances - governmental funds		\$ 181,200,957
<p>Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:</p>		
<p>Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.</p>		
Capital assets at historical cost:	\$ 542,693,705	
Accumulated depreciation:	<u>(144,771,363)</u>	
Net:		397,922,342
<p>Unamortized costs: In governmental funds, debt issuance premiums, gain or loss on refunding, and defeasance costs are recognized as expenditures in the period they are incurred. In the government-wide statements, these amounts are amortized over the life of the debt. Unamortized premiums, losses, and defeasance costs at year end consist of:</p>		
Unamortized portion of COP premiums		(1,740,542)
Unamortized portion of bond premiums		(14,864,676)
Unamortized portion of loss on refunding		17,400,357
<p>Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unamatured interest owing at the end of the period was:</p>		
		(5,512,104)
<p>Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:</p>		
General obligation bonds payable	\$ 367,239,274	
Net Pension Liability	133,492,029	
Certificates of participation payable	23,365,000	
Compensated absences payable	<u>119,494</u>	
		<u>(524,215,797)</u>
<p>Deferred outflows and inflows of resources relating to pensions: In governmental 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 pension are reported.</p>		
Deferred outflows of resources relating to pensions		61,191,754
Deferred inflows of resources relating to pensions		(19,436,520)
<p>Internal service funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery bases. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net position. Net position for internal service funds are:</p>		
		<u>2,620,492</u>
Total net position, governmental activities		<u><u>\$ 94,566,263</u></u>

**GILROY UNIFIED SCHOOL DISTRICT**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

**GOVERNMENTAL FUNDS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<b>General Fund</b>	<b>Building Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>All Non-Major Funds</b>	<b>Total</b>
<b>REVENUES</b>					
LCFF sources	\$ 111,678,812	\$ -	\$ -	\$ -	\$ 111,678,812
Federal revenue	15,609,526	-	-	2,499,394	18,108,920
Other state revenues	17,224,039	-	85,667	1,436,508	18,746,214
Other local revenues	4,411,168	556,838	30,019,758	3,025,063	38,012,827
Total revenues	<u>148,923,545</u>	<u>556,838</u>	<u>30,105,425</u>	<u>6,960,965</u>	<u>186,546,773</u>
<b>EXPENDITURES</b>					
Certificated salaries	55,428,569	-	-	527,918	55,956,487
Classified salaries	18,266,066	274,386	-	2,000,768	20,541,220
Employee benefits	30,554,574	119,300	-	1,139,339	31,813,213
Books and supplies	11,280,440	780,657	-	280,679	12,341,776
Services and other operating expenditures	16,611,828	968,129	-	1,963,877	19,543,834
Capital outlay	456,875	30,823,495	-	-	31,280,370
Other outgo	3,221,308	-	28,791,305	48,792	32,061,405
Debt service expenditures	28,230	-	-	1,744,419	1,772,649
Total expenditures	<u>135,847,890</u>	<u>32,965,967</u>	<u>28,791,305</u>	<u>7,705,792</u>	<u>205,310,954</u>
Excess of revenues over expenditures	<u>13,075,655</u>	<u>(32,409,129)</u>	<u>1,314,120</u>	<u>(744,827)</u>	<u>(18,764,181)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers in	-	-	-	400,000	400,000
Operating transfers out	(400,000)	-	-	-	(400,000)
Proceeds from Bond Issuance	-	94,680,000	-	-	94,680,000
All Other Financing Sources	-	-	16,475,000	-	16,475,000
All Other Financing Uses	-	-	(16,475,000)	-	(16,475,000)
Total other financing sources (uses)	<u>(400,000)</u>	<u>94,680,000</u>	<u>-</u>	<u>400,000</u>	<u>94,680,000</u>
Net change in fund balances	12,675,655	62,270,871	1,314,120	(344,827)	75,915,819
Fund balances, July 1, 2020, as originally reported	35,341,351	48,160,152	15,173,457	5,826,348	104,501,308
Change in accounting principle	-	-	-	783,830	783,830
Fund balances, July 1, 2020, as restated	<u>35,341,351</u>	<u>48,160,152</u>	<u>15,173,457</u>	<u>6,610,178</u>	<u>105,285,138</u>
Fund balances, June 30, 2021	<u>\$ 48,017,006</u>	<u>\$ 110,431,023</u>	<u>\$ 16,487,577</u>	<u>\$ 6,265,351</u>	<u>\$ 181,200,957</u>

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

**GILROY UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Total net change in fund balances - governmental funds \$ 75,915,819

Amounts reported for revenues and expenses for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	\$ 32,653,012	
Depreciation expense:	<u>(10,028,824)</u>	22,624,188

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 32,645,000

Debt proceeds: In governmental funds, proceeds from debt are recognized as Other Financing Sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium or discount were: (111,155,000)

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was: 1,388,804

Accreted interest on capital appreciation bonds is not recognized as an expenditure in the governmental fund financial statements until paid. In the statement of activities, however, accreted interest is recognized as an expense as the capital appreciation bonds accrete in value. The amount of accreted interest recognized in the current year was: (674,099)

Pensions: In government funds, pension costs are recognized when employer contributions are made in the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: (2,424,451)

Amortization of debt issue premium or discount or deferred gain or loss from debt refunding: In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an Other Financing Source or an Other Financing Use in the period it is incurred. In the government-wide statements, the premium or discount, plus any deferred gain or loss from debt refunding, is amortized as interest over the life of the debt. Amortization of premium or discount, or deferred gain or loss from debt refunding, for the period is: (6,663,159)

Internal Service Funds: Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental in the statement of activities. The net increase or decrease in internal service funds was: 264,830

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measure by the amounts earned. The difference between compensated absences paid and compensated absences earned was: 13,089

Total change in net position - governmental activities \$ 11,935,021

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

**GILROY UNIFIED SCHOOL DISTRICT**  
**PROPRIETARY FUND – STATEMENT OF NET POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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	<u>Internal Service Fund</u>
<b>ASSETS</b>	
Current Assets	
Deposits and investments	\$ 2,616,415
Receivables	<u>4,077</u>
Total Current Assets	<u><u>2,620,492</u></u>
<b>LIABILITIES</b>	
Current Liabilities	
Claim liability	<u>-</u>
Total Current Liabilities	<u>-</u>
<b>NET POSITION</b>	
Restricted	<u>2,620,492</u>
Net Position	<u><u>\$ 2,620,492</u></u>

**GILROY UNIFIED SCHOOL DISTRICT**  
**PROPRIETARY FUND – STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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	<u>Internal Service Fund</u>
<b>OPERATING REVENUES</b>	
Interdistrict premiums	\$ 1,484,509
<b>OPERATING EXPENDITURES</b>	
Claims paid	<u>1,238,508</u>
Operating Income	246,001
<b>NONOPERATING REVENUES</b>	
Interest income	<u>18,829</u>
Change in Net Position	264,830
Net Position - Beginning, July 1, 2020	<u>2,355,662</u>
Net Position - Ending, June 30, 2021	<u><u>\$ 2,620,492</u></u>

**GILROY UNIFIED SCHOOL DISTRICT**  
**PROPRIETARY FUND – STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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	<u>Internal Service Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash receipts from premiums	\$ 1,488,219
Cash payments for insurance claims	<u>(1,238,508)</u>
Net Cash Provided by Operating Activities	249,711
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest	<u>18,829</u>
Net Increase in Cash and Cash Equivalents	268,540
Cash and Cash Equivalents - Beginning	<u>2,347,875</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 2,616,415</u></u>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 246,001
Adjustments to reconcile net income to net cash provided by operations:	
(Increase)/Decrease in:	
Receivables	<u>3,710</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><u>\$ 249,711</u></u>

**GILROY UNIFIED SCHOOL DISTRICT**  
**FIDUCIARY FUND – STATEMENT OF NET POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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	<b>Private-Purpose Trust</b>
	<b>Scholarship Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 876,006
Accounts receivable	32,651
Total assets	908,657
<b>NET POSITION</b>	
Reserved for scholarships	908,657
Total net position	\$ 908,657

**GILROY UNIFIED SCHOOL DISTRICT**  
**FIDUCIARY FUND – CHANGES IN NET POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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	<u>Private-Purpose Trust Scholarship Funds</u>
<b>ADDITIONS</b>	
Investment Income	<u>\$        165,022</u>
<b>DEDUCTIONS</b>	
Operating Expense	<u>                  20,667</u>
Change in Net Position	144,355
Net Position - July 1, 2020	<u>764,302</u>
Net Position - June 30, 2021	<u><u>\$        908,657</u></u>

# GILROY UNIFIED SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. HISTORY OF DISTRICT

Gilroy Unified School District is located in the southernmost region of Santa Clara County. It is one of a few districts in the county that continues to grow. Over the last 19 years, the student population has grown from 8,448 in 1993-1994 to more than 11,000 K - 12 students today.

The surrounding Gilroy community has experienced growth in housing and industry. Known for its garlic fields, the agricultural areas that surround Gilroy provide a diverse array of agribusiness opportunities for its occupants. The town has also become home to commuters in Silicon Valley and San Jose. Even with the current economic downturn, many of the agribusinesses and other operations are thriving.

The Gilroy Unified School District was established in July 1, 1966, under the laws of the State of California. The District operates under a locally elected seven-member Board form of government and provides educational services to grades K - 12 as mandated by the State and Federal agencies. The District operates eight elementary schools, three middle schools, three high schools, one community day school, one independent study school, one continuation school, and an adult school.

#### B. REPORTING ENTITY

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

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component unit has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, and thus is included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Building Corporation's financial activity is presented in the financial statements as a sub fund of the Building fund, Capital Facilities fund and Tax Override fund. Certificates of participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements. Individually-prepared financial statements are not prepared for the Building Corporation.

# GILROY UNIFIED SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

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### C. ACCOUNTING POLICIES

The Gilroy Unified School District (the District) accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. For state entitlement programs, the District has elected to match the revenues in the period that program expenditures are made to be consistent with the accounting for grants and other revenues.

### D. BASIS OF PRESENTATION

#### Government-wide Financial Statements

The statement of net position and the statement of activities display information about the District. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

The government-wide statement of net position presents information on all of the District's assets and liabilities, with the difference between the two presented as net position. Net position is reported as one of three categories: invested in capital assets, net of related debt; restricted; or unrestricted. Restricted net position is further classified as either net position restricted by enabling legislation or net assets that are otherwise restricted.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are, therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

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 function. Interest on long-term liabilities is considered an indirect expense and is reported separately in the Statement of Activities.

#### Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

**GILROY UNIFIED SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2021**

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**E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. Expenses are recorded when liabilities are incurred.

Governmental Fund Financial Statements

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures, and changes in fund balances) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used, or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**F. FUND ACCOUNTING**

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

**GILROY UNIFIED SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2021**

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**F. FUND ACCOUNTING (CONTINUED)**

The District funds are as follows:

**Major Governmental Funds:**

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

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

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

**Non-Major Governmental Funds:**

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

The **Student Activity Fund** accounts for student body activities (ASB) to account for the raising and expending of money to promote the general welfare, morale and educational experience of the student body.

The **Adult Education Fund** is used to account separately for federal, state, and local revenues that are restricted or committed for adult education programs.

The **Child Development Fund** is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

The **Cafeteria Fund** is used to account separately for Federal, State, and local resources to operate the food service program (Education Code Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (Education Code Sections 38091 and 38100).

The **Deferred Maintenance Fund** is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (Education Code Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

The **Debt Service Funds** are used to account for the accumulation of restricted, committed, or assigned resources for the payment of principal and interest on general long-term obligations.

# GILROY UNIFIED SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

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### F. FUND ACCOUNTING (CONTINUED)

The **Tax Override Fund** is used for the repayment of voted indebtedness (other than Bond Interest and Redemption Fund repayments) to be financed from ad valorem tax levies.

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

The **Capital Facilities Fund** is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (Education Code sections 17620-17626). Expenditures are restricted to the purposes specified in Government Code sections 65970-65981 or to the items specified in agreements with the developer (Government Code Section 66006).

The **County School Facilities Fund** is established pursuant to Education Code Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), or the 2004 State School Facilities Fund (Proposition 55) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (Education Code Section 17070 et seq.).

**Proprietary Fund** reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has only one following proprietary fund:

**Internal Service Funds** may be used to account for any activity for which services are provided to other funds of the District on a cost-reimbursement basis. The District operates a Self-Insurance fund that is accounted for in an internal service fund.

**Fiduciary Funds** are used to account for assets held in trustee or agent capacity for others that cannot be used to support the district's own programs. The fiduciary fund category includes Trust and Custodial Funds.

The **Private – Purpose Trust Fund** is used to account for assets held by the District as a trustee. The District maintains a private-purpose trust fund, the Scholarship fund, to provide scholarships to students of the District.

**Custodial Funds** are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's custodial funds include Foundation Fund. These funds' activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These funds are custodial in nature and do not involve measurement of results of operations. Accordingly, the District presents only a statement of fiduciary net assets and does not present a statement of changes in fiduciary net assets. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. Fiduciary funds are presented on an economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements.

# GILROY UNIFIED SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

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### **G. BUDGETS AND BUDGETARY ACCOUNTING**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. By state law, the District's governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

During the year, budget revisions by the District's governing board and district superintendent give consideration to unanticipated revenue and expenditures. The final revised budgets are presented in the financial statements.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by major object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account. The budgets are revised during the year by the District's Board of Education and District Superintendent to provide for unanticipated revenues and expenditures.

### **H. ENCUMBRANCES**

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated at June 30.

### **I. REVENUES – EXCHANGE AND NON-EXCHANGE TRANSACTIONS**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 90 days of fiscal year-end.

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

**GILROY UNIFIED SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2021**

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**J. UNEARNED REVENUE**

Unearned Revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as deferred revenue.

**K. EXPENSES/EXPENDITURES**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which have not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

**L. CASH AND CASH EQUIVALENTS**

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

**M. INVESTMENTS**

Investments held at June 30, 2021, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

**N. STORES INVENTORIES**

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental type funds and expenses in the proprietary type funds when used.

**GILROY UNIFIED SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2021**

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**O. CAPITAL ASSETS AND DEPRECIATION**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

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

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

<u>Asset Class</u>	<u>Estimated Useful Life in Years</u>
Buildings and improvements	7-50 (case by case)
Furniture and equipment	3-10 (case by case)

**P. INTERFUND BALANCES**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position.

**Q. COMPENSATED ABSENCES**

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

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave except paraprofessional employees who are members of the California School Employees' Association (CSEA) and Gilroy Federation of Teachers and Paraprofessionals (GFT). The CSEA and GFT paraprofessional employees are paid for 25 percent of accumulated unused sick leave balance at termination of employment. Therefore, the value of accumulated sick leave is recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

**GILROY UNIFIED SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2021**

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**R. LONG-TERM OBLIGATIONS**

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

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

**S. DEFERRED INFLOWS AND OUTFLOWS 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.

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.

**T. LOCAL CONTROL FUNDING FORMULA/PROPERTY TAX**

The District's local control funding formula is received from a combination of local property taxes, state apportionments, and other local sources.

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

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local control funding formula (LCFF) sources by the District.

The California Department of Education reduces the District's entitlement by the District's local property tax revenue. The balance is paid from the State General Fund, and is known as the state apportionment.

# GILROY UNIFIED SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

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### U. FUND BALANCE

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that are not expected to be converted to cash, such as resources that are not in a spendable form (e.g. inventories and prepaids) or that are legally or contractually required to be maintained intact. The District has classified its revolving cash account as being Nonspendable as it is required to be maintained intact.
- Restricted: This classification includes amounts constrained to specific purposes by their providers or by law. The District has classified federal and state categorical programs as being restricted because their use is restricted by Statute. Debt service resources are to be used for future servicing of the general obligation bonds and are restricted through debt covenants.
- Committed: This classification includes amounts constrained to specific sources by the Board. For this purpose, all commitments of funds shall be approved by a majority vote of the Board. The constraints shall be imposed no later than the end of the reporting period of June 30, although the actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements.
- Assigned: This classification includes amounts which the Board or its designee intends to use for a specific purpose but are neither restricted nor committed. The Board delegates authority to assign funds to the assigned fund balance to the Superintendent or designee and authorizes the assignment of such funds to be made any time prior to the issuance of the financial statements. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The Agency has assigned funds for Other Capital Projects that are to be used for the repair and replacement of equipment.
- Unassigned: This classification includes the residual fund balance for the General Fund and includes the amount designated for economic uncertainties. To protect the District against unforeseen circumstances such as revenue shortfalls and unanticipated expenditures, the Board maintains a minimum unassigned fund balance which includes a reserve for economic uncertainties equal to at least one month of average general fund expenditures or 7% of general fund expenditures and other financing uses. If the unassigned fund balance falls below this level due to an emergency situation, unexpected expenditures, or revenue shortfalls, the Board shall develop a plan to recover the fund balance which may include dedicating new unrestricted revenues, reducing expenditures, and/or increasing revenues or pursuing other funding sources.

When multiple types of funds are available for an expenditure, the District shall first utilize funds from the restricted fund balance as appropriate, then from committed fund balance, then from the assigned fund balance, and lastly from the unassigned fund balance.

# GILROY UNIFIED SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

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### V. NET POSITION

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

### W. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are primarily interfund insurance premiums. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund.

### X. INTERFUND ACTIVITY

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

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

### Y. ESTIMATES

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

### Z. PENSIONS

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Gilroy Unified School District's California Public Employees' Retirement System (CalPERS) and California State Teachers Retirement System (CalSTRS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS and CalSTRS, respectively. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**GILROY UNIFIED SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2021**

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**AA. CHANGE IN ACCOUNTING PRINCIPLE**

Effective July 1, 2020, the District adopted GASB Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

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

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. Prior to GASB 84 implementation, the District accounted for the Associated Student Body activity as Fiduciary Activities within the Agency Funds, which are now called Custodial Funds. The Associated Student Body activity no longer fit the criteria to be considered Fiduciary Activities. As a result, the Associated Student Body activity will be reported as a governmental activity under the Student Activity Fund in the basic financial statements. Beginning of year net position has been restated as follows:

Net position - beginning, July 1, 2020	\$ 81,847,412
Change in accounting principle (Note 1AA)	<u>783,830</u>
Net Position - beginning, as restated	<u><u>\$ 82,631,242</u></u>

**GILROY UNIFIED SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2021**

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**2. CASH AND CASH EQUIVALENTS**

Cash at June 30, 2021 consisted of the following:

	Governmental Activities	Proprietary Activities	Fiduciary Activities	Total
Cash on hand and in banks	\$ 846,334	\$ -	\$ -	\$ 846,334
Cash in revolving fund	50,000	-	-	50,000
Cash with fiscal agent	10,160	358,985	682,629	1,051,774
Cash in county treasury	163,033,139	2,257,430	193,377	165,483,946
Total Cash and Cash Equivalents	<u>\$ 163,939,633</u>	<u>\$ 2,616,415</u>	<u>\$ 876,006</u>	<u>\$ 167,432,054</u>

**A. POLICIES AND PRACTICES**

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

**B. CASH IN BANKS AND REVOLVING FUNDS**

Cash balances held in banks and revolving funds are insured up to \$250,000 by the Federal Depository Insurance Corporation. All cash held by the financial institution is fully insured or collateralized.

**C. CASH WITH FISCAL AGENT**

Cash with Fiscal Agent represents funds held by third parties restricted for the repayment of General Obligation Bonds and Certificates of Participation.

**D. CASH IN COUNTY TREASURY**

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The weighted average maturity of the pool is 615 days. The pool is rated AAA by Standard and Poor's. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. The market value is 1.0039919% of the book value or \$660,589 less. A market value adjustment has not been made.

# GILROY UNIFIED SCHOOL DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

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### **E. INTEREST RATE RISK**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

### **F. CREDIT RISK**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measure by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the Districts' investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

### **G. CUSTODIAL CREDIT RISK - DEPOSITS**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. The District believes it has no significant custodial credit risk.

### **H. CUSTODIAL CREDIT RISK - INVESTMENTS**

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the total investment held at the banks, the District has a custodial credit risk exposure of \$437,585 because the related securities are uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

**GILROY UNIFIED SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2021**

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**3. INTERFUND TRANSACTIONS**

Interfund transactions are reported as 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. Reimbursements occur 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.

Interfund Receivables/Payables

As of June 30, 2021, the interfund receivable and payable balances were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds		
General Fund	\$ 751,851	\$ -
Nonmajor Funds		
Cafeteria Fund	-	751,851
Total	<u>\$ 751,851</u>	<u>\$ 751,851</u>

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the fiscal year were as follows:

Transfer from General Fund to the Cafeteria Fund for contributions	<u>\$ 400,000</u>
Total Transfers	<u>\$ 400,000</u>

**GILROY UNIFIED SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2021**

**4. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2021 is shown below:

	Balance July 1, 2020	Additions and Transfers In	Deletions and Transfers Out	Balance June 30, 2021
Non-depreciable assets:				
Land	\$ 58,067,162	\$ -	\$ -	\$ 58,067,162
Construction in progress	44,181,094	32,345,810	972,336	75,554,568
	<u>102,248,256</u>	<u>32,345,810</u>	<u>972,336</u>	<u>133,621,730</u>
Depreciable assets:				
Buildings and Improvements	395,842,053	-	-	395,842,053
Furniture and equipment	12,922,720	307,202	-	13,229,922
	<u>408,764,773</u>	<u>307,202</u>	<u>-</u>	<u>409,071,975</u>
Totals, at cost	<u>511,013,029</u>	<u>32,653,012</u>	<u>972,336</u>	<u>542,693,705</u>
Accumulated depreciation:				
Buildings and Improvements	123,746,356	9,425,640	-	133,171,996
Furniture and equipment	10,996,183	603,184	-	11,599,367
	<u>134,742,539</u>	<u>10,028,824</u>	<u>-</u>	<u>144,771,363</u>
Depreciable assets, net	<u>274,022,234</u>	<u>(9,721,622)</u>	<u>-</u>	<u>264,300,612</u>
Capital assets, net	<u>\$ 376,270,490</u>	<u>\$ 22,624,188</u>	<u>\$ 972,336</u>	<u>\$ 397,922,342</u>

The entire amount of depreciation expense was unallocated in the Statement of Activities.

**5. LONG-TERM LIABILITIES**

**Schedule of Changes in Long-Term Liabilities**

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

	Balance July 1, 2020	Additions	Deductions	Balance June 30, 2021	Amounts Due Within One Year
General Obligation Bond	\$ 288,055,175	\$ 111,829,099	\$ 32,645,000	\$ 367,239,274	\$ 9,535,000
Certificates of Participation	24,245,000	-	880,000	23,365,000	925,000
Accumulated vacation	132,583	-	13,089	119,494	-
Net Pension Liability	132,222,286	1,269,743	-	133,492,029	-
Subtotal	<u>444,655,044</u>	<u>113,098,842</u>	<u>33,538,089</u>	<u>524,215,797</u>	<u>10,460,000</u>
Unamortized general obligation bond premium	9,800,961	11,193,104	6,129,389	14,864,676	-
Unamortized certificates of participation premium	1,848,763	-	108,221	1,740,542	-
Unamortized Loss on Refunding	<u>(16,608,020)</u>	<u>(2,500,000)</u>	<u>(1,707,663)</u>	<u>(17,400,357)</u>	<u>-</u>
Total long term obligation	<u>\$ 439,696,748</u>	<u>\$ 121,791,946</u>	<u>\$ 38,068,036</u>	<u>\$ 523,420,658</u>	<u>\$ 10,460,000</u>

**GILROY UNIFIED SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2021**

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

Payment of the general obligation bonds are made out of the Bond Interest and Redemption Fund. The Bond Interest and Redemption Fund receives property tax revenues which are used solely to repay the principal and interest due on these obligations. The payments on the 2016 Certificates of Participation are made by the Capital Facilities Fund. The accrued vacation will be paid by the fund for which the employee worked.

**General Obligation Bonds**

In February 2015, the District issued General Obligation Bonds, Election of 2008, Series 2015 (the “Series 2015 New Money Bonds”) and General Obligation Refunding Bonds, Series 2015 (the “Series 2015 Refunding Bonds”), totaling \$30,385,000 and \$35,300,000, respectively. The Series 2015 New Money Bonds were issued to provide the funds necessary to pay the outstanding 2011 General Obligation Bond Anticipation Notes and finance specific construction, repair and improvement projects approved by the voters of the District. The Series 2015 Refunding Bonds were issued to refund a portion of the outstanding 2009 General Obligation Bonds (Election of 2008, Series A). The Series 2015 New Money and Refunding Bonds bear interest rates from 3% to 5% and are scheduled to mature through 2045. In January 2017, the District issued General Obligation Bonds, Election of 2016, Series 2017 (the “Series 2017 Bonds”) totaling \$60,000,000 to finance specific construction, repair and improvement projects approved by the voters of the District. In May 2019, the District issued General Obligation Bonds, Elections of 2008 and 2016, Series 2019 (the “Series 2019 Bonds”) totaling \$44,275,000 to finance specific construction, repair and improvement projects approved by the voters of the District, and to pay costs of delivery with respect to the Series 2019 Bonds. In October 2019, the District issued General Obligation Refunding Bonds, Series 2019 in the amount of \$124,165,000 to refund all of the outstanding General Obligation Bonds, Election of 2008, Series 2013, the General Obligation Refunding Bonds, Series 2013 and the corresponding Gilroy School Facilities Financing Authority General Obligation Revenue Bonds, Series A, and to pay costs of issuance of the Refunding Bonds. Repayment of the Bonds are made from ad valorem property taxes levied and collected by Santa Clara County. In March 2021, the District issued General Obligation Bonds, Election of 2016, Series 2021 in the amount of \$94,680,000 to finance specific projects approved by the voters of the District, and to pay costs of delivery with respect to the Series 2021 Bonds. Also, in March, 2021, the District issued 2021 General Obligation Refunding Bonds to refund a portion of the outstanding Gilroy Unified School District (County of Santa Clara, California) General Obligation Bonds, Election of 2008, Series 2015, to refund a portion of the outstanding General Obligation Refunding Bonds, Series 2015, and to pay costs of issuance of the 2021 Refunding Bonds. Repayment of the Bonds are made from ad valorem property taxes levied and collected by Santa Clara County.

**GILROY UNIFIED SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2021**

**5. LONG-TERM LIABILITIES (CONTINUED)**

The outstanding general obligation bonded debt is as follows:

<b>Issue Date</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Original Issue</b>	<b>Balance June 30, 2020</b>	<b>Issued/ Accretion</b>	<b>Redeemed</b>	<b>Balance June 30, 2021</b>
3/12/2009	08/01/32	3% - 6.81%	\$ 49,986,615	\$ 5,465,175	\$ 674,099	\$ -	\$ 6,139,274
2/3/2015	08/01/44	3% - 5%	30,385,000	30,385,000	-	6,350,000	24,035,000
2/3/2015	08/01/44	3% - 5%	35,300,000	34,495,000	-	10,485,000	24,010,000
1/5/2017	08/01/37	2% - 5%	60,000,000	51,170,000	-	-	51,170,000
5/14/2019	08/01/48	2.48% - 5.0%	28,955,000	27,740,000	-	-	27,740,000
5/14/2019	08/01/39	2.48% - 5.0%	15,320,000	14,635,000	-	3,695,000	10,940,000
10/31/2019	08/01/47	1.70% - 3.36%	124,165,000	124,165,000	-	2,800,000	121,365,000
3/11/2021	08/01/40	0.223% - 1.626%	16,475,000	-	16,475,000	-	16,475,000
3/11/2021	08/01/46	0.180% - 4.0%	94,680,000	-	94,680,000	9,315,000	85,365,000
			<u>\$ 565,936,615</u>	<u>\$ 288,055,175</u>	<u>\$ 111,829,099</u>	<u>\$ 32,645,000</u>	<u>\$ 367,239,274</u>
					Premium on GO Bonds		<u>\$ 14,864,676</u>
							<u>\$ 382,103,950</u>

**Debt Service Requirements to Maturity**

The bonds mature through 2049 as follows:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest to Maturity</b>	<b>Total</b>
2022	\$ 9,535,000	\$ 12,952,558	\$ 22,487,558
2023	6,770,000	13,069,877	19,839,877
2024	6,970,000	12,843,928	19,813,928
2025	7,705,000	12,596,285	20,301,285
2026	7,880,000	12,324,399	20,204,399
2027-2031	32,245,000	56,504,544	88,749,544
2032-2036	41,280,000	50,782,795	92,062,795
2037-2041	76,370,000	38,451,683	114,821,683
2042-2046	114,665,000	21,104,136	135,769,136
2047-2049	57,680,000	2,625,784	60,305,784
<b>Total</b>	<u>\$ 361,100,000</u>	<u>\$ 233,255,988</u>	<u>\$ 594,355,988</u>
Total Accretion	6,139,274		
<b>Total GO Bonds</b>	<u>\$ 367,239,274</u>		

**GILROY UNIFIED SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2021**

**5. LONG-TERM LIABILITIES (CONTINUED)**

**Certificates of Participation**

The outstanding certificates of participation debt is as follows:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance June 30, 2020</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2021</u>
7/26/2016	04/01/39	2.0% - 4.0%	\$ 27,870,000	\$ 24,245,000	\$ -	\$ 880,000	\$ 23,365,000
			\$ 27,870,000	\$ 24,245,000	\$ -	\$ 880,000	\$ 23,365,000
						Premium on COP	\$ 1,740,542
							\$ 25,105,542

The aggregate principal outstanding for all issues is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 925,000	\$ 838,450	\$ 1,763,450
2023	945,000	801,450	1,746,450
2024	990,000	763,650	1,753,650
2025	1,035,000	724,050	1,759,050
2026	1,080,000	682,650	1,762,650
2027-2031	6,025,000	2,733,050	8,758,050
2032-2036	7,350,000	1,473,100	8,823,100
2037-2039	5,015,000	304,050	5,319,050
Total	\$ 23,365,000	\$ 8,320,450	\$ 31,685,450

**GILROY UNIFIED SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2021**

**6. EMPLOYEE RETIREMENT SYSTEMS**

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

**Plan Description**

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

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Headquarters, 400 Q Street, Sacramento, California 95811.

**State Teachers' Retirement System (STRS)**

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing, multiple-employer, public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS Headquarters, 100 Waterfront Place, West Sacramento, California 95605.

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

	<b>CalPERS</b>		<b>CalSTRS</b>	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire date				
Benefit formula	2% @ 55	2% @ 62	2% @ 60	2% @ 62
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	55	62	60	62
Monthly benefits, as a % of eligible compensation	2.0%	2.0%	2.0%	2.0%
Required employee contribution rates	7%	7%	10.25%	10.205%
Required employer contribution rates	20.700%	20.700%	16.15%	16.15%

**GILROY UNIFIED SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2021**

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**6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)**

Contributions

**CalPERS**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

**STRS**

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

For the year ended June 30, 2021, the contributions reported as deferred outflows of resources related to pensions recognized as part of pension expense for each Plan were as follows:

	<u>CalPERS</u>	<u>STRS</u>	<u>Total</u>
Contributions - employer	\$ 4,054,421	\$ 8,608,420	\$ 12,662,841
On behalf contributions - state	-	5,333,897	5,333,897
Total	<u>\$ 4,054,421</u>	<u>\$ 13,942,317</u>	<u>\$ 17,996,738</u>

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

As of June 30, 2021, the District's reported net pension liabilities for its proportionate share of the net pension liability of the Plans' of:

	<u>Proportionate Share of Net Pension Liability</u>
CalPERS	\$ 42,062,837
STRS	91,429,192
Total Net Pension Liability	<u>\$ 133,492,029</u>

**GILROY UNIFIED SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2021**

**6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)**

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2020, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2019 and 2020 was as follows:

<b>Measurement</b>			
<b>Dates</b>	<b>Fiscal Year</b>	<b>CalPERS</b>	<b>STRS</b>
June 30, 2019	2019-20	0.14274%	0.10034%
June 30, 2020	2020-21	0.13709%	0.09435%
Change - Increase (Decrease)		<u>-0.00566%</u>	<u>-0.00599%</u>

For the year ended June 30, 2021, the District recognized pension expense of \$2,424,451. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>CalPERS</b>		<b>STRS</b>		<b>Total</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Pension contributions subsequent to measurement date	\$ 4,054,421	\$ -	\$ 13,942,317	\$ -	\$ 17,996,738	\$ -
Difference between proportionate share of aggregate employer contributions and actual contributions for 2019-20	815,945	327,231	537,686	1,952,806	1,353,631	2,280,037
Changes of Assumptions	2,097,577	-	30,614,879	-	32,712,456	-
Differences between Expected and Actual Experience	3,759,854	-	596,837	6,150,943	4,356,691	6,150,943
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	22,370	1,545,580	3,914,637	7,273,902	3,937,007	8,819,482
Net differences between projected and actual investment earnings on pension plan investments	835,231	-	-	2,186,058	835,231	2,186,058
<b>Total</b>	<u>\$ 11,585,398</u>	<u>\$ 1,872,811</u>	<u>\$ 49,606,356</u>	<u>\$ 17,563,709</u>	<u>\$ 61,191,754</u>	<u>\$ 19,436,520</u>

**GILROY UNIFIED SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2021**

**6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)**

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

<b>Year Ended June 30</b>	<b>CalPERS</b>	<b>STRS</b>	<b>Total Deferred Outflows/ (Inflows) of Resources</b>
2022	\$ 3,265,400	\$ 3,130,027	\$ 6,395,427
2023	1,561,962	3,399,319	4,961,281
2024	613,912	4,957,485	5,571,397
2025	216,892	4,328,705	4,545,597
2026	-	2,017,645	2,017,645
Thereafter	-	267,149	267,149
<b>Total</b>	<b>\$ 5,658,166</b>	<b>\$ 18,100,330</b>	<b>\$ 23,758,496</b>

Actuarial Assumptions

The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions:

	<b>CalPERS</b>	<b>STRS</b>
Valuation Date	June 30, 2019	June 30, 2019
Measurement Date	June 30, 2020	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost	Entry-Age Normal Cost
Actuarial Assumptions		
Discount Rate	7.15%	7.10%
Inflation	2.50%	2.75%
Payroll Growth Rate	2.75%	3.50%
Projected Salary Increase	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return <sup>(1)</sup>	7.15%	7.10%
Mortality	Derived using CalPERS' Membership Data for all Funds	Derived using STRS' Membership Data for all Funds

<sup>(1)</sup> Net of pension plan investment expenses, including inflation

**GILROY UNIFIED SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2021**

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**6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)**

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

STRS changed the mortality assumptions based on the July 1, 2015 through June 30, 2018, experience study adopted by the board in January 2020. STRS 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 STRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table issued by the Society of Actuaries.

**Discount Rate**

**CalPERS**

The discount rate used to measure the total pension liability for the Plan was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical and forecasted information for all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

**GILROY UNIFIED SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2021**

**6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)**

Asset Class	CalPERS		
	Assumed Asset Allocation	Real Return Years 1 - 10 <sup>(a)</sup>	Real Return Years 11+ <sup>(b)</sup>
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1.00%	2.62%
Inflation Assets	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
	100.0%		

<sup>(a)</sup> An expected inflation of 2.00% used for this period

<sup>(b)</sup> An expected inflation of 2.92% used for this period

Discount Rate

**STRS**

The discount rate used to measure the total pension liability was 7.10%, which was unchanged from prior fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers are made at statutory contribution rates in accordance with the rate increases actuarially determined. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return of 7.10% and assume that contributions, benefit payments and administrative expenses occur midyear. Based on those assumptions, the Plan'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.

The long-term investment rate of return assumption 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 STRS investment staff and investment consultants as inputs to the process.

The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, STRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of expected 20-year geometrically linked real rates of return and the assumed asset allocation for each major asset class as of the June 30, 2020 measurement date, are summarized in the following table:

**GILROY UNIFIED SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2021**

**6. EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)**

Asset Class	STRS	
	Assumed Asset Allocation	Long-Term Expected Real Rate of Return <sup>(a)</sup>
Public Equity	42.0%	4.80%
Real Estate	15.0%	3.60%
Private Equity	13.0%	6.30%
Fixed Income	12.0%	1.30%
Risk Mitigating Strategies	10.0%	1.80%
Inflation Sensitive	6.0%	3.30%
Cash/Liquidity	2.0%	-0.40%
Total	100%	

<sup>(a)</sup> 20-year average

**Sensitivity of the 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 for each Plan, calculated using the discount rate for each Plan, 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 or 1-percentage point higher than the current rate:

	CalPERS		
	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Plan's Net Pension Liability/(Asset)	\$ 60,472,999	\$ 42,062,837	\$ 26,783,327

	STRS		
	Discount Rate - 1% (6.10%)	Current Discount Rate (7.10%)	Discount Rate + 1% (8.10%)
Plan's Net Pension Liability/(Asset)	\$ 138,136,773	\$ 91,429,192	\$ 52,865,506

**Pension Plan Fiduciary Net Position**

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS and STRS comprehensive annual financial reports available on the CalPERS’ and STRS’ websites.

**Payable to the Pension Plan**

As of June 30, 2021, the District had no outstanding required contributions to the pension plans.

**GILROY UNIFIED SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2021**

**7. FUND BALANCE**

The District reports fund balances in accordance with Governmental Accounting Standards Board Statement No. 54. All fund balance categories are reported in the aggregate on the face of the balance sheet. All components of those fund balances and specific purposes are identified as follows:

	<b>General Fund</b>	<b>Building Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>All Non-Major Funds</b>	<b>Total</b>
<b>Nonspendable:</b>					
Revolving cash	\$ 50,000	\$ -	\$ -	\$ -	\$ 50,000
Stores	-	-	-	74,557	74,557
Total Nonspendable	50,000	-	-	74,557	124,557
<b>Restricted for:</b>					
Medi-Cal Billing Option	440,103	-	-	-	440,103
Lottery: Instructional Materials	1,173,491	-	-	-	1,173,491
Mental Health-Related Services	247,279	-	-	-	247,279
Classified School Employee Professional Development Block Grant	49,384	-	-	-	49,384
Expanded Learning Opportunities (ELO) Grant	2,977,785	-	-	-	2,977,785
Expanded Learning Opportunities (ELO) Grant: Paraprofessional Staff	739,771	-	-	-	739,771
Low-Performing Students Block Grant	66,633	-	-	-	66,633
Ongoing & Major Maintenance Account (RMA)	1,910,275	-	-	-	1,910,275
Student Activity Funds	-	-	-	844,580	844,580
Adult Education Program	-	-	-	92,243	92,243
Child Development: Coronavirus Response and Relief Supplemental Appropriations Act	-	-	-	42,446	42,446
Child Development: Center-Based Reserve Account	-	-	-	175,653	175,653
Child Nutrition: School Programs	-	-	-	19,495	19,495
State School Facilities Project	-	-	-	753,472	753,472
Other Restricted Local	-	110,431,023	16,487,577	4,657,754	131,576,354
Total Restricted	7,604,721	110,431,023	16,487,577	6,585,643	141,108,964
<b>Assigned to:</b>					
Home-to-School Transportation	380,000	-	-	-	380,000
Textbook Adoptions	1,912,988	-	-	-	1,912,988
Deferred Maintenance	2,472,628	-	-	-	2,472,628
CHS Computer Lab/PLTW	80,000	-	-	-	80,000
LCAP C/O - Centralized	1,324,498	-	-	-	1,324,498
LCAP C/O - Sites	875,761	-	-	-	875,761
Chromebook/Equipment Replacement	940,088	-	-	-	940,088
CTI New Teacher Induction Program	150,000	-	-	-	150,000
Total Assigned	8,135,963	-	-	-	8,135,963
<b>Unassigned:</b>					
Reserve for Economic Uncertainties	9,537,352	-	-	-	9,537,352
Unassigned/Unappropriated	22,688,970	-	-	(394,849)	22,294,121
Total Unassigned	32,226,322	-	-	(394,849)	31,831,473
<b>Total Fund Balances</b>	<b>\$ 48,017,006</b>	<b>\$ 110,431,023</b>	<b>\$ 16,487,577</b>	<b>\$ 6,265,351</b>	<b>\$ 181,200,957</b>

**GILROY UNIFIED SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2021**

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**8. COMMITMENTS AND CONTINGENCIES**

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is management’s opinion that any required reimbursement subsequently determined will not have a material effect on the District’s financial position.

**9. JOINT VENTURES**

The District is a member of one joint powers authority (JPA): Santa Clara County Schools Insurance Group (SCCSIG) for property and liability insurance. The relationship between the District, the pools, and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

SCCSIG has budgeting and financial reporting requirements independent of member units and their financial statements are not presented in SCCSIG’s financial statements; however, fund transactions between SCCSIG and the District are included in their statements. We obtained June 30, 2020 audited financial statements for SCCSIG. Condensed audited financial statements are as follows:

	<b>SCCSIG*</b> <b>(Audited)</b>
Total Assets	<u>\$ 27,841,259</u>
Total Deferred Outflow of Resources	<u>198,991</u>
Total Liabilities	<u>7,913,788</u>
Total Deferred Inflow of Resources	<u>67,496</u>
Net Position	<u><u>\$ 20,058,966</u></u>
Total Revenues	\$ 38,742,836
Total Expenditures	<u>35,701,380</u>
Increase (Decrease) in Net Position	<u><u>\$ 3,041,456</u></u>

*\* June 30, 2020 was the most recent report available*

The District has appointed one board member to the Governing Board of SCCSIG. During the year ended June 30, 2021, the District made payments of \$767,751 to SCCSIG.

**GILROY UNIFIED SCHOOL DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2021**

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**10. LEASEBACK AGREEMENT**

On June 18, 2019 the District entered into a lease-leaseback agreement with Flint Builders, Inc. (the “Contractor”) related to the construction of a multipurpose building in accordance with California Education Code section 17406. The agreement is structured so that the District leases the construction site to the Contractor during the construction period. Concurrently, the Contractor leases the site back to the District under a sublease agreement. The terms of the agreement were from June 18, 2019 to twelve months after whichever of the following comes first:

1. The date the District takes beneficial occupancy of the final phase of the Project; or
2. The date of substantial completion, as defined in the agreement.

The total of the lease-leaseback agreement was \$2,868,919 and to be paid in monthly installments of \$100,000 from the District to the Contractor until August 1, 2021, at which point all amounts outstanding will be paid to the contractor.

At June 30, 2021, the balance of the lease-leaseback agreement is \$0.

**11. TAX AND REVENUE ANTICIPATION NOTES**

The District issued \$5,000,000 of tax and revenue anticipation notes (TRANs) dated August 7, 2020. The issuance cost, underwriter’s discount and the premium were \$18,750, \$4,500 and \$64,300 respectively. The final cost for the TRANs was \$5,072,778. The note matured in 2 installments at 1.46% interest. The first payment of \$2,500,000 was made on January 29, 2021 and second payment of \$2,572,778 was made on April 30, 2021.

**12. SUBSEQUENT EVENTS**

In March 2020, the World Health Organization declared the novel coronavirus (“COVID-19”) a global pandemic and recommended containment and mitigation measures worldwide. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected public education, workforces, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses and organizations. It is not possible for management to predict the duration or magnitude of the adverse results of the outbreak and its disruptive effects on the District’s operations and financial results at this time.

The District’s management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended June 30, 2021 through November 4, 2021, the date the financial statements were issued. Management is not aware of any subsequent events, other than those described above, that would require recognition or disclosure in the accompanying financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**GILROY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET (NON-GAAP) AND ACTUAL**

**GENERAL FUND**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Budget</u>		<u>Actual</u>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
LCFF revenue	\$ 103,303,843	\$ 112,164,258	\$ 111,678,812	\$ (485,446)
Federal revenue	8,371,707	22,055,208	15,609,526	(6,445,682)
Other state revenues	10,254,277	20,717,572	17,224,039	(3,493,533)
Other local revenues	3,101,897	5,591,611	4,411,168	(1,180,443)
Total revenues	<u>125,031,724</u>	<u>160,528,649</u>	<u>148,923,545</u>	<u>(11,605,104)</u>
<b>EXPENDITURES</b>				
Certificated salaries	55,234,545	56,441,394	55,428,569	1,012,825
Classified salaries	19,979,002	21,043,961	18,266,066	2,777,895
Employee benefits	32,496,779	32,201,937	30,554,574	1,647,363
Books and supplies	4,383,032	23,571,687	11,280,440	12,291,247
Services and other operating expenditures	14,359,977	27,755,845	16,611,828	11,144,017
Capital outlay	352,325	4,434,481	456,875	3,977,606
Other outgo	4,197,442	3,657,328	3,249,538	407,790
Total expenditures	<u>131,003,102</u>	<u>169,106,633</u>	<u>135,847,890</u>	<u>33,258,743</u>
Excess (deficiency) of revenues over expenditures	<u>(5,971,378)</u>	<u>(8,577,984)</u>	<u>13,075,655</u>	<u>21,653,639</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers out	-	(1,145,333)	(400,000)	745,333
Total other financing sources (uses)	<u>-</u>	<u>(1,145,333)</u>	<u>(400,000)</u>	<u>745,333</u>
Net change in fund balances	<u>(5,971,378)</u>	<u>(9,723,317)</u>	<u>12,675,655</u>	<u>22,398,972</u>
Fund balances, July 1, 2020	<u>35,341,351</u>	<u>35,341,351</u>	<u>35,341,351</u>	<u>-</u>
Fund balances, June 30, 2021	<u>\$ 29,369,973</u>	<u>\$ 25,618,034</u>	<u>\$ 48,017,006</u>	<u>\$ 22,398,972</u>

**GILROY UNIFIED SCHOOL DISTRICT**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

<b>CalPERS</b>	<b>June 30, 2014 <sup>(1)</sup></b>	<b>June 30, 2015 <sup>(1)</sup></b>	<b>June 30, 2016 <sup>(1)</sup></b>	<b>June 30, 2017 <sup>(1)</sup></b>	<b>June 30, 2018 <sup>(1)</sup></b>	<b>June 30, 2019 <sup>(1)</sup></b>	<b>June 30, 2020 <sup>(1)</sup></b>
Proportion of the net pension liability (asset)	0.13474%	0.14030%	0.14407%	0.14483%	0.14523%	0.14274%	0.13709%
Proportionate share of the net pension liability (asset)	\$ 15,296,437	\$ 20,679,872	\$ 28,454,449	\$ 34,574,468	\$ 38,724,205	\$ 41,601,917	\$ 42,062,837
Covered payroll <sup>(2)</sup>	\$ 13,749,155	\$ 15,432,540	\$ 14,744,304	\$ 16,514,777	\$ 16,472,057	\$ 18,108,352	\$ 24,799,874
Proportionate Share of the net pension liability (asset) as a percentage of covered payroll	111.25%	134.00%	192.99%	209.35%	235.09%	229.74%	169.61%
Plan fiduciary net position as a percentage of the total pension liability (asset)	83.38%	79.43%	73.90%	71.87%	70.85%	70.05%	70.00%
Proportionate share of aggregate employer contributions <sup>(3)</sup>	\$ 1,618,413	\$ 1,828,293	\$ 2,047,689	\$ 2,564,910	\$ 2,975,183	\$ 3,571,148	\$ 5,133,574
<b>STRS</b>	<b>June 30, 2014 <sup>(1)</sup></b>	<b>June 30, 2015 <sup>(1)</sup></b>	<b>June 30, 2016 <sup>(1)</sup></b>	<b>June 30, 2017 <sup>(1)</sup></b>	<b>June 30, 2018 <sup>(1)</sup></b>	<b>June 30, 2019 <sup>(1)</sup></b>	<b>June 30, 2020 <sup>(1)</sup></b>
Proportion of the net pension liability (asset)	0.09888%	0.10380%	0.09988%	0.09424%	0.09642%	0.10034%	0.09435%
Proportionate share of the net pension liability (asset)	\$ 57,784,450	\$ 69,884,251	\$ 80,785,753	\$ 87,151,488	\$ 88,613,422	\$ 90,620,369	\$ 91,429,192
Covered payroll <sup>(2)</sup>	\$ 40,918,243	\$ 39,872,917	\$ 42,458,124	\$ 43,542,349	\$ 45,491,560	\$ 51,345,591	\$ 57,187,121
Proportionate Share of the net pension liability (asset) as a percentage of covered payroll	141.22%	175.27%	190.27%	200.15%	194.79%	176.49%	159.88%
Plan fiduciary net position as a percentage of the total pension liability (asset)	76.52%	74.02%	70.04%	69.46%	70.99%	72.56%	71.82%
Proportionate share of aggregate employer contributions <sup>(3)</sup>	\$ 3,633,540	\$ 4,278,364	\$ 5,341,232	\$ 6,283,161	\$ 7,406,026	\$ 8,780,096	\$ 9,235,720

<sup>(1)</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

<sup>(2)</sup> Covered payroll is the payroll on which contributions to a pension plan are based.

<sup>(3)</sup> The Plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The Plan's proportionate share of aggregate contributions is based on the Plan's proportion of fiduciary net position as well as any additional side fund (or unfunded liability) contributions made by the employer during the measurement period.

**GILROY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

<b>CalPERS</b>	<b>Fiscal Year 2014-15 <sup>(1)</sup></b>	<b>Fiscal Year 2015-16 <sup>(1)</sup></b>	<b>Fiscal Year 2016-17 <sup>(1)</sup></b>	<b>Fiscal Year 2017-18 <sup>(1)</sup></b>	<b>Fiscal Year 2018-19 <sup>(1)</sup></b>	<b>Fiscal Year 2019-20 <sup>(1)</sup></b>	<b>Fiscal Year 2020-21 <sup>(1)</sup></b>
Contractually required contribution <sup>(2)</sup>	\$ 1,618,413	\$ 1,828,293	\$ 2,047,689	\$ 2,564,910	\$ 2,975,183	\$ 3,571,148	\$ 5,133,574
Contributions in relation to the contractually required contribution <sup>(2)</sup>	(1,776,920)	(2,047,315)	(2,565,408)	(2,979,973)	(3,612,801)	(3,898,809)	(4,054,421)
Contribution deficiency (excess)	<u>\$ (158,507)</u>	<u>\$ (219,022)</u>	<u>\$ (517,719)</u>	<u>\$ (415,063)</u>	<u>\$ (637,618)</u>	<u>\$ (327,661)</u>	<u>\$ 1,079,153</u>
Covered payroll <sup>(3)</sup>	\$ 13,749,155	\$ 15,432,540	\$ 14,744,304	\$ 16,514,777	\$ 16,472,057	\$ 18,108,352	\$ 24,799,874
Contributions as a percentage of covered payroll <sup>(3)</sup>	11.771%	11.847%	13.888%	15.531%	18.062%	19.721%	20.700%
<b>STRS</b>	<b>Fiscal Year 2014-15 <sup>(1)</sup></b>	<b>Fiscal Year 2015-16 <sup>(1)</sup></b>	<b>Fiscal Year 2016-17 <sup>(1)</sup></b>	<b>Fiscal Year 2017-18 <sup>(1)</sup></b>	<b>Fiscal Year 2018-19 <sup>(1)</sup></b>	<b>Fiscal Year 2019-20 <sup>(1)</sup></b>	<b>Fiscal Year 2020-21 <sup>(1)</sup></b>
Contractually required contribution <sup>(2)</sup>	\$ 3,633,540	\$ 4,278,364	\$ 5,341,232	\$ 6,283,161	\$ 7,406,026	\$ 8,780,096	\$ 9,235,720
Contributions in relation to the contractually required contribution <sup>(2)</sup>	(4,227,720)	(5,383,474)	(6,504,361)	(7,479,391)	(8,814,006)	(8,983,628)	(8,608,420)
Contribution deficiency (excess)	<u>\$ (594,180)</u>	<u>\$ (1,105,110)</u>	<u>\$ (1,163,129)</u>	<u>\$ (1,196,230)</u>	<u>\$ (1,407,980)</u>	<u>\$ (203,532)</u>	<u>\$ 627,300</u>
Covered payroll <sup>(3)</sup>	\$ 40,918,243	\$ 39,872,917	\$ 42,458,124	\$ 43,542,349	\$ 45,491,560	\$ 51,345,591	\$ 57,187,121
Contributions as a percentage of covered payroll <sup>(3)</sup>	8.880%	10.730%	12.580%	14.430%	16.280%	17.100%	16.150%

(1) Historical information is required only for measurement periods for which GASB 68 is applicable.

(2) Employers are assumed to make contributions equal to the contractually required contributions. However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the contractually required contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.

(3) Covered payroll is the payroll on which contributions to a pension plan are based.

**GILROY UNIFIED SCHOOL DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**1. PURPOSE OF SCHEDULES**

**A. Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP) and Actual – General Fund and Cafeteria Fund**

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 Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

**B. Schedule of Proportionate Share of Net Pension Liability**

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

*Changes in Assumptions*

There were no changes in the assumptions used in the calculation of both the PERS and STRS collective net pension liabilities.

*Changes in Benefit Terms*

There were no changes in benefit terms since the previous valuations for both CalPERS and CalSTRS.

Fiscal year 2015 was the first year of implementation, therefore only seven years are shown.

**GILROY UNIFIED SCHOOL DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**1. PURPOSE OF SCHEDULES (CONTINUED)**

**C. Schedule of Pension Contributions**

If an employer's contributions to the plans are actuarially determined or based on statutory or contractual requirements, the employer's actuarially determined contribution to the pension plans (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll. In the future, as data becomes available, ten years of information will be presented.

Fiscal year 2015 was the first year of implementation, therefore only seven years are shown.

	<b>CalPERS</b>	<b>STRS</b>
Valuation Date	June 30, 2019	June 30, 2019
Measurement Date	June 30, 2020	June 30, 2020
Actuarial Cost Method	Entry-Age Normal Cost	Entry-Age Normal Cost
Actuarial Assumptions		
Discount Rate	7.15%	7.10%
Inflation	2.50%	2.75%
Payroll Growth Rate	2.75%	3.50%
Projected Salary Increase	Varies by Entry Age and Service	Varies by Entry Age and Service
Investment Rate of Return <sup>(1)</sup>	7.15%	7.10%
Mortality	Derived using CalPERS' Membership Data for all Funds	Derived using STRS' Membership Data for all Funds

<sup>(1)</sup> Net of pension plan investment expenses, including inflation

## **SUPPLEMENTARY INFORMATION**

**GILROY UNIFIED SCHOOL DISTRICT**

**COMBINING BALANCE SHEET**

**ALL NON-MAJOR FUNDS**

**JUNE 30, 2021**

	<b>Student Activity Fund</b>	<b>Adult Education Fund</b>	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Tax Override Fund</b>	<b>Total</b>
<b>ASSETS</b>								
Cash and cash equivalents	\$ 844,580	\$ 95,556	\$ 187,800	\$ 126,754	\$ 1,905,085	\$ 2,457,372	\$ 640,444	\$ 6,257,591
Accounts receivable	-	182	64,143	762,501	9,066	4,410	-	840,302
Stores	-	-	-	74,557	-	-	-	74,557
Total assets	<u>\$ 844,580</u>	<u>\$ 95,738</u>	<u>\$ 251,943</u>	<u>\$ 963,812</u>	<u>\$ 1,914,151</u>	<u>\$ 2,461,782</u>	<u>\$ 640,444</u>	<u>\$ 7,172,450</u>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities								
Accounts payable	\$ -	\$ 3,495	\$ 616	\$ 117,909	\$ -	\$ -	\$ -	\$ 122,020
Due to other funds	-	-	-	751,851	-	-	-	751,851
Unearned revenue	-	-	33,228	-	-	-	-	33,228
Total liabilities	<u>-</u>	<u>3,495</u>	<u>33,844</u>	<u>869,760</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>907,099</u>
Fund balances								
Nonspendable	-	-	-	74,557	-	-	-	74,557
Restricted	844,580	92,243	218,099	19,495	1,914,151	2,708,193	788,882	6,585,643
Unassigned	-	-	-	-	-	(246,411)	(148,438)	(394,849)
Total fund balances	<u>844,580</u>	<u>92,243</u>	<u>218,099</u>	<u>94,052</u>	<u>1,914,151</u>	<u>2,461,782</u>	<u>640,444</u>	<u>6,265,351</u>
Total liabilities and fund balances	<u>\$ 844,580</u>	<u>\$ 95,738</u>	<u>\$ 251,943</u>	<u>\$ 963,812</u>	<u>\$ 1,914,151</u>	<u>\$ 2,461,782</u>	<u>\$ 640,444</u>	<u>\$ 7,172,450</u>

**GILROY UNIFIED SCHOOL DISTRICT**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

**ALL NON-MAJOR FUNDS**

**JUNE 30, 2021**

	<b>Student Activity Fund</b>	<b>Adult Education Fund</b>	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Tax Override Fund</b>	<b>Total</b>
<b>REVENUES</b>								
Federal revenue	\$ -	\$ -	\$ 42,446	\$ 2,456,948	\$ -	\$ -	\$ -	\$ 2,499,394
Other state revenues	-	14,732	930,947	490,829	-	-	-	1,436,508
Other local revenues	428,952	287,991	6,730	1,032,976	1,243,433	24,878	103	3,025,063
Total revenues	428,952	302,723	980,123	3,980,753	1,243,433	24,878	103	6,960,965
<b>EXPENDITURES</b>								
Certificated salaries	-	147,299	380,619	-	-	-	-	527,918
Classified salaries	-	27,318	213,573	1,759,877	-	-	-	2,000,768
Employee benefits	-	58,300	283,529	797,510	-	-	-	1,139,339
Books and supplies	229,726	24,335	9,600	17,018	-	-	-	280,679
Services and other operating expenditures	138,476	4,708	4,192	1,810,181	6,320	-	-	1,963,877
Other outgo	-	8,996	39,796	-	-	-	-	48,792
Debt service expenditures	-	-	-	-	1,744,419	-	-	1,744,419
Total expenditures	368,202	270,956	931,309	4,384,586	1,750,739	-	-	7,705,792
Excess of revenues over expenditures	60,750	31,767	48,814	(403,833)	(507,306)	24,878	103	(744,827)
<b>OTHER FINANCING SOURCES (USES)</b>								
Operating transfers in	-	-	-	400,000	-	-	-	400,000
Total other financing sources (uses)	-	-	-	400,000	-	-	-	400,000
Net change in fund balances	60,750	31,767	48,814	(3,833)	(507,306)	24,878	103	(344,827)
Fund balances, July 1, 2020, as originally reported	-	60,476	169,285	97,885	2,421,457	2,436,904	640,341	5,826,348
Change in accounting principle	783,830	-	-	-	-	-	-	783,830
Fund balances, July 1, 2020, as restated	783,830	60,476	169,285	97,885	2,421,457	2,436,904	640,341	6,610,178
Fund balances, June 30, 2021	\$ 844,580	\$ 92,243	\$ 218,099	\$ 94,052	\$ 1,914,151	\$ 2,461,782	\$ 640,444	\$ 6,265,351

**GILROY UNIFIED SCHOOL DISTRICT**

**ORGANIZATION**

**JUNE 30, 2021**

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The Gilroy Unified School District was established in July 1, 1966, under the laws of the State of California. The District operates under a locally elected seven-member Board form of government and provides educational services to grades K - 12 as mandated by the State and Federal agencies. The District operates eight elementary schools, three middle schools, two high schools, one early college high school, two independent study school, and one continuation school.

**GOVERNING BOARD**

<u>Name</u>	<u>Office</u>	<u>Term Expires December</u>
Mark W. Good	President	2024
Linda Piceno	Vice President	2022
Melissa Aguirre	Member	2024
Enrique Diaz	Member	2022
Tuyen Fiack	Member	2022
Michelle Nelson	Member	2022
James Pace	Member	2024

**ADMINISTRATION**

Dr. Deborah Flores  
Superintendent

Alvaro Meza  
Assistant Superintendent, Business Services

Kimberly Smith  
Director of Fiscal Services

Paul Winslow  
Assistant Superintendent, Human Resources

Anna Pulido  
Director of Student Services

Kathleen Biermann  
Director of Educational Services (Elementary)

Deborah Padilla  
Director of Educational Services (Secondary)

**GILROY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF INSTRUCTIONAL TIME**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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<b>Grade Level</b>	<b>Instructional Days</b>	<b>Status</b>
Kindergarten	180	In compliance
Grade 1	180	In compliance
Grade 2	180	In compliance
Grade 3	180	In compliance
Grade 4	180	In compliance
Grade 5	180	In compliance
Grade 6	180	In compliance
Grade 7	180	In compliance
Grade 8	180	In compliance
Grade 9	180	In compliance
Grade 10	180	In compliance
Grade 11	180	In compliance
Grade 12	180	In compliance

**GILROY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF CHARTER SCHOOLS**  
**FOR FISCAL YEAR ENDED JUNE 30, 2021**

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<u>Charter School ID Number</u>	<u>Charter Schools Chartered by the District</u>	<u>Included in the District Financial Statements, or Separate Report</u>
1278	Gilroy Prep Academy/Navigator School	Separately Reported

**GILROY UNIFIED SCHOOL DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT  
WITH AUDITED FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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	Building Fund	Self Insurance Fund	Scholarship Fund
<b>FUND BALANCE</b>			
Balance, June 30, 2021, Unaudited Actuals	\$ 110,496,944	\$ 2,456,419	\$ 834,318
Increase in:			
Cash with Fiscal Agent/Trustee	-	164,073	74,339
Decrease in:			
Cash with Fiscal Agent/Trustee	(65,921)	-	-
Balance, June 30, 2021, Audited Financial Statement	<u>\$ 110,431,023</u>	<u>\$ 2,620,492</u>	<u>\$ 908,657</u>

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

**GILROY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Assistance Listing Number	Grantor and Program Title	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
<i>Passed through California Department of Education</i>			
<b>Special Education Cluster (IDEA):</b>			
84.027	Special Education: IDEA Basic Local Assistance Entitlement, Part B, Section 611	13379	\$ 2,026,820
84.027A	Special Ed: IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	15197	138,057
84.027A	Special Ed: IDEA Preschool Local Entitlement, Part B, Section 611 (Age 3-4-5) (17-18)	13682	13,741
84.173	Special Ed: IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	13430	73,100
84.173A	Special Ed: Alternate Dispute Resolution, Part B, Sec 611	13007	1,275
Subtotal Special Education Cluster (IDEA)			<u>2,252,993</u>
<b>Education Stabilization Fund:</b>			
84.425D	Elementary and Secondary School Emergency Relief (ESSER) Fund	15536	* 1,280,994
84.425D	Elementary and Secondary School Emergency Relief II (ESSER II) Fund	15547	* 1,224,821
84.425C	Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	15517	* 161,512
Subtotal Education Stabilization Fund			<u>2,667,327</u>
84.010	ESEA (ESSA): Title I, Part A, Basic Grants Low-Income and Neglected	14329	1,346,044
84.010	ESEA: ESSA School Improvement (CSI) Funding for LEAs	15438	378,191
84.048	Carl D. Perkins Career and Technical Education: Secondary, Section 131 (Vocational Education)	14894	65,052
84.011	ESEA (ESSA): Title I, Part C, Migrant Ed (Regular and Summer Program)	14326	155,688
84.011	ESSA (ESEA): Title I, Migrant Ed Summer Program	10005	19,705
84.367	ESEA (ESSA): Title II, Part A, Supporting Effective Instruction Local Grants	14341	324,828
84.365	ESEA (ESSA): Title III, English Learner Student Program	14346	197,707
84.287	ESEA (ESSA): Title IV, Part B, 21st Century Community Learning Centers Program	14349	1,008,245
84.424	ESEA (ESSA) Title IV, Part A, Student Support and Academic Enrichment Grants	15396	152,477
84.126	Department of Rehabilitation: Workability II, Transitions Partnership Program	10006	113,204
<b>Total U.S. Department of Education</b>			<u>8,681,461</u>
<u>U.S. Department of the Treasury</u>			
<i>Passed through California Department of Education</i>			
21.019	Coronavirus Relief Fund (CRF): Learning Loss Mitigation	25516	* 6,618,538
<b>Total U.S. Department of the Treasury</b>			<u>6,618,538</u>
<u>U.S. Department of Agriculture</u>			
<i>Passed through California Department of Education</i>			
10.555	Child Nutrition: School Programs (NSL Sec 4)	13391	2,456,948
10.555	School Lunch Program - Nonmonetary Assistance	13391	364,530
<b>Total U.S. Department of Agriculture</b>			<u>2,821,478</u>
<u>U.S. Department of Health and Human Services</u>			
<i>Passed through California Department of Education</i>			
93.778	Dept of Health Care Services (DHCS): Medi-Cal Administrative Activities	10013	88,054
93.778	Dept of Health Care Services (DHCS): Medi-Cal Billing Option	10060	221,473
93.575	Child Dev: Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act - One-time Stipend	15555	42,446
<b>Total U.S. Department of Health and Human Services</b>			<u>351,973</u>
<b>Total Federal Programs</b>			<u>\$ 18,473,450</u>

\* Tested as a major program.

**GILROY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

<b>General Fund</b>	<b>Adopted Budget 2021/2022</b>	<b>Actuals 2020/2021</b>	<b>Actuals 2019/2020</b>	<b>Actuals 2018/2019</b>
Revenues and Other Financial Sources	\$ 159,906,332	\$ 148,923,545	\$ 136,835,966	\$ 137,013,192
Expenditures	171,066,550	135,847,890	127,439,619	133,545,523
Other Uses and Transfers Out	-	400,000	-	-
Total Outgo	171,066,550	136,247,890	127,439,619	133,545,523
Change in Fund Balance	(11,160,218)	12,675,655	9,396,347	3,467,669
Ending Fund Balance	\$ 36,856,788	\$ 48,017,006	\$ 35,341,351	\$ 25,945,004
Available Reserves *	\$ 36,366,685	\$ 32,226,322	\$ 23,914,198	\$ 16,602,844
Reserve for Economic Uncertainties	\$ 11,974,659	\$ 9,537,352	\$ 8,920,773	\$ 9,348,187
Undesignated Fund Balance	\$ 24,392,026	\$ 22,688,970	\$ 14,993,425	\$ 7,254,657
Available Reserves as a Percentage of Total Outgo	21.3%	23.7%	18.8%	10.1%
<b>All Funds</b>				
Total Long-Term Debt	\$ 513,755,797	\$ 524,215,797	\$ 444,655,044	\$ 433,344,854
Actual Daily Attendance at P-2 (Exclusive of Adult ADA)	10,652	10,652	10,652	10,501

\*Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty contained within the General Fund

The General Fund fund balance has increased by \$25,539,671 over the past three years. The District projects a decrease of \$11,160,218 for the fiscal year ending June 30, 2022. For a district this size, the State of California recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo). For the year ended June 30, 2021, the District has met this requirement.

The District has incurred operating surpluses in all of the past three years, but anticipates an operating deficit during the 2021-2022 fiscal year.

Total long-term liabilities have increased by \$90,870,943 over the past two years due to the addition of the net pension liability and issuances of new bonds.

Average Daily Attendance (ADA) has increased by 151 over the past two years and attendance is budgeted to remain consistent for the fiscal year 2021-2022.

**GILROY UNIFIED SCHOOL DISTRICT**

**NOTES TO SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**1. SCHEDULE OF INSTRUCTIONAL TIME**

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. Districts must maintain their instructional minutes at the State’s standard requirements as required by Education Code Section 46201(b).

**2. SCHEDULE OF CHARTER SCHOOLS**

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

**3. RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS**

This schedule provides information necessary to reconcile the Annual Financial and Budget Report to the audited financial statements.

**4. SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The accompanying schedule of expenditures of federal awards includes federal grant activity of the District and is presented under the modified accrual basis of accounting. The July 2021 Edition of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance) requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with the Uniform Guidance and state requirements. Therefore, some amounts presented in this schedule may differ from amounts used in the preparation of the general purpose financial statements. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

The schedule on the following page provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amount consists of the fair value of federal food commodities received from the California Department of Education as a pass-through grant from the U.S. Department of Agriculture that are not reflected in the financial statements.

	<b>Assistance Listing Number</b>	<b>Amount</b>
Total Federal Revenues from the Statement of Revenues, Expenditures, and Changes in Fund Balance		\$ 18,108,920
Reconciling items		
Food Distribution - Commodities	10.555	364,530
Total Schedule of Expenditures of Federal Awards		<u>\$ 18,473,450</u>

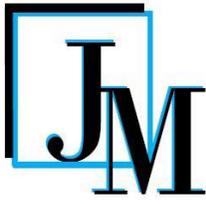
**GILROY UNIFIED SCHOOL DISTRICT**  
**NOTES TO SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**5. SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS**

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

## **OTHER INDEPENDENT AUDITOR'S REPORTS**



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

Board of Education  
Gilroy Unified School District  
Gilroy, California

**Report on Compliance for Each State Program**

We have audited the compliance of Gilroy Unified School District (the “District”) with the types of compliance requirements described in the State of California’s 2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting (the “Audit Guide”) to the state laws and regulations listed below for the year ended June 30, 2021.

**Management’s Responsibility**

Compliance with the requirements of state laws and regulations is the responsibility of District’s management.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on the District’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the State of California’s 2020-21 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District’s compliance with those requirements.

**Local Education Agencies Other Than Charter Schools**

<b>Description</b>	<b>Procedures Performed</b>
Attendance and Distance Learning	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Instructional Time	Yes
Instructional Materials	
General Requirements	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below

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

<b>Description</b>	<b>Procedures Performed</b>
California Clean Energy Jobs Act	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes

**Charter Schools**

<b>Description</b>	<b>Procedures Performed</b>
Independent Study-Course Based	No, see below
Attendance	No, see below
Mode of Instruction	No, see below
Nonclassroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Charter School Facility Grant Program	No, see below

We did not perform any procedures related to Early Retirement Incentive Program, Apprenticeship: Related and Supplemental Instruction, and District of Choice because the District did not offer these programs.

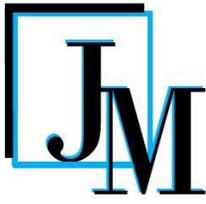
We did not perform any procedures related to Attendance Reporting for Charter Schools, Mode of Instruction for Charter Schools, Nonclassroom-Based Instruction/Independent Study for Charter Schools, Determination of Funding for Nonclassroom-Based Instruction for Charter Schools, Annual Instructional Minutes-Classroom Based for Charter Schools, and Charter School Facility Grant Program because the District did not have any charter schools reported within the District's financial statements.

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

In our opinion, Gilroy Unified School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2021.

*James Marta + Company LLP*

James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
November 4, 2021



**James Marta & Company LLP**  
*Certified Public Accountants*

*Accounting, Auditing, Consulting and Tax*

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**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**

**INDEPENDENT AUDITOR'S REPORT**

Board of Education  
Gilroy Unified School District  
Gilroy, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gilroy Unified School District (the "District"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 4, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered District's internal control over financial reporting (internal control) to determine the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

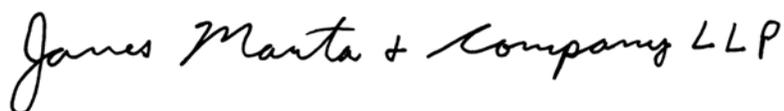
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

## **Compliance and Other Matters**

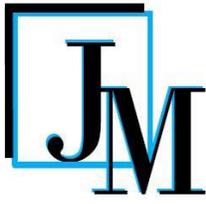
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

## **Purpose of this Report**

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

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
November 4, 2021



**James Marta & Company LLP**  
*Certified Public Accountants*

*Accounting, Auditing, Consulting and Tax*

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

**INDEPENDENT AUDITOR'S REPORT**

Board of Education  
Gilroy Unified School District  
Gilroy, California

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

We have audited the Gilroy Unified School District's (the "District") compliance with the types of compliance requirements described in the July 2021 Edition of the *OMB Compliance Supplement* that could have a direct and material effect on each of District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the July 2021 Edition of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance), *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

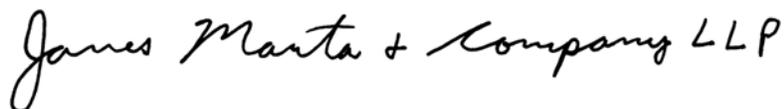
## Internal Control Over Compliance

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

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

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

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



James Marta & Company LLP  
Certified Public Accountants  
Sacramento, California  
November 4, 2021

## **FINDINGS AND RECOMMENDATIONS**

**GILROY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued:  
*Summary of Opinions*

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal control over financial reporting:  
 Material weakness(es) identified? \_\_\_\_\_ Yes      X   No  
 Significant deficiency(ies) identified not  
 considered to be material weakness(es)? \_\_\_\_\_ Yes      X   None reported  
 Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

**Federal Awards**

Type of auditor’s report issued on compliance  
 for major programs: Unmodified

Internal control over major programs:  
 Material weakness(es) identified? \_\_\_\_\_ Yes      X   No  
 Significant deficiency(ies) identified not  
 considered to be material weaknesses? \_\_\_\_\_ Yes      X   None reported

Any audit findings disclosed that are required to  
 be reported in accordance with the Uniform  
 Guidance, Section 200.516(a)? \_\_\_\_\_ Yes      X   No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.425	Education Stabilization Fund (ESF) Cluster
21.019	Coronavirus Relief Fund (CRF): Learning Loss Mitigation

**GILROY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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Dollar threshold used to distinguish between  
Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes     No

**State Awards**

Type of auditor's report issued on compliance  
for state programs:

Unmodified

Internal control over state programs:

Material weakness(es) identified?

Yes     No

Significant deficiency(ies) identified not  
considered to be material weaknesses?

Yes     None reported

**GILROY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**Section II – Financial Statement Findings**

No matters were reported.

**GILROY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**Section III – Federal Award Findings and Questioned Costs**

No matters were noted.

**GILROY UNIFIED SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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**Section IV – State Award Findings and Questioned Costs**

No matters were reported.

**GILROY UNIFIED SCHOOL DISTRICT**  
**STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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No matters were reported.