

**CUPERTINO UNION SCHOOL DISTRICT**  
**FINANCIAL STATEMENTS**  
June 30, 2020

CUPERTINO UNION SCHOOL DISTRICT  
 FINANCIAL STATEMENTS  
 WITH SUPPLEMENTARY INFORMATION  
 For the Year Ended June 30, 2020  
 (Continued)

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CUPERTINO UNION SCHOOL DISTRICT  
FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2020  
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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Cupertino Union School District  
Cupertino, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cupertino Union School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Cupertino Union School District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

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(Continued)

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cupertino Union School District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 12, the General Fund Budgetary Comparison Schedule, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 46 to 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

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

The schedule of expenditure of federal awards and other supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the Schedule of Financial Trends and Analysis, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards and other supplementary information as listed in the table of contents, except for the Schedule of Financial Trends and Analysis, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Financial Trends and Analysis has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

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



Crowe LLP

Sacramento, California  
February 4, 2021



# CUPERTINO UNION SCHOOL DISTRICT

## Management's Discussion and Analysis

### DISTRICT PROFILE

#### Board of Education Strategic Goals/Priorities

1. Maintain a keen focus on ensuring student academic success and development of the whole child.
2. Continue to ensure fiscal solvency (to include no deficit spending, a balanced budget) and make significant progress toward generating new revenue.
3. Continue to make progress toward building a district-wide system for enrollment that is equitable and balanced for the entire District and which will withstand the impact of the inevitable ebb and flows of enrollment.
4. Engage in a comprehensive community process to create a long-range strategic plan that clarifies our vision for students and major goals and priorities for CUSD.
5. Support the critical communications components of the above priorities and continue to build a district-wide culture of trust and transparency.

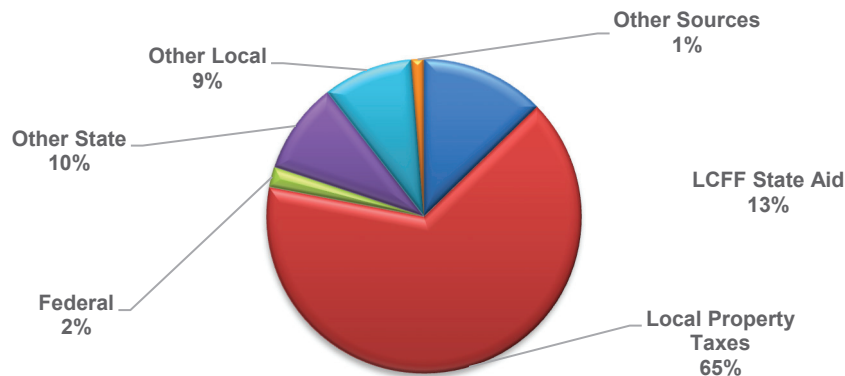
Cupertino Union School District (the District) was established in 1916. The District operates twenty elementary schools, and five middle schools. The District serves over 15,000 K-8 students in a 26-square mile area that includes the City of Cupertino and portions of five other cities in California's Silicon Valley. The student population is richly diverse.

### FINANCIAL HIGHLIGHTS

#### Local Control Funding Formula School District

The District has been a revenue limit school district since its inception. A revenue limit school district is a district whose local property tax revenue is less than the state calculated "revenue limit" amount and the state therefore back-fills the difference. Starting 2013-2014, the State changed its funding calculation to Local Control Funding Formula (LCFF). The LCFF combined principal apportionment and previous flexed categorical program into one funding. In 2019-2020, the District met its LCFF target entitlement. The composition of the District's sources of General fund revenue can be illustrated in Chart - 1:

**Chart - 1  
General Fund Revenue Sources  
FY 2019-2020**



**CUPERTINO UNION SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

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## **2020 Results of Operations**

As of June 30, 2020, the District's general fund recorded total revenue of \$192.3 million and total expenditures of \$197 million, resulting in an ending fund balance of \$29.2 million. Of this amount, \$5.9 million is the required three percent statutory reserves and \$5.9 million is the Board's additional reserves for future downturn. Other components of the ending fund balance include \$0.3 million non-spendable, \$6.9 million restricted for categorical programs and \$10.1 million for various school and program carryovers.

The total general fund revenues of \$192.3 million are from the following sources: 78% local control funding formula (65% property tax and 13% state aid), 2.00% federal programs, 10% state programs, 9% local revenue (parcel tax, interest, rental and fees), 1% other sources from Building fund for routine restricted maintenance and from proceeds from capital leases.

### **Local Control Funding Formula**

In fiscal year 2019-2020 the District's LCFF Transition Entitlement was \$145 million, decreased by \$6.9 million from prior year's \$151.9 million. The LCFF funding model provides "Current Year Adjusted Based Grant per ADA" for the following grade levels: \$7,702 for K-3, \$7,818 for 4-6, and \$8,050 for 7-8. LCFF also provides 20% supplemental grant and 50% concentration grant if qualified. The supplemental and concentration grant increases are calculated based on the percentage of total enrollment accounted for by English learners, free and reduced-price meal program eligible students and foster youth. The 2019-2020 LCFF funding includes the following: COLA 0.0%, ADA (average daily attendance) – 16,304

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of four parts - management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer financial information about the activities the District operates on a cost reimbursement basis, such as the self-insurance fund.
- Fiduciary fund 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. Fiduciary fund activity is excluded from the government-wide financial statements.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's general fund budget, both the adopted and final version, with year-end actual results.



# CUPERTINO UNION SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

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## Government-wide Financial Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional factors such as the economy of the State, and hence, the State's budget, the local economy, which could impact student enrollment and the condition of school buildings and other facilities.

## Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. 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 (like repaying its long-term debt) or to show that it is properly using certain revenues (like federal grants).

The District has three kinds of funds:

- Governmental funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, we provide reconciliations between the governmental funds statements and the government-wide statements that explain the relationships (or differences) between them.
- Proprietary funds - Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements, i.e., using full accrual accounting. Internal service funds (one kind of proprietary fund) are used to report activities that provide supplies and services for the District's other programs and activities. The District currently has one internal service fund - the self-insurance fund.
- Fiduciary funds - The District is the trust, or fiduciary, for assets that belong to others, such as the private purpose trust and student funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes, and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

**CUPERTINO UNION SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

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**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position**

As of June 30, 2020, the District's combined net position decreased \$29.2 million from prior year resulting in an ending amount totaling negative \$199.4 million.

	Governmental Activities (in millions)		Percent Changes
	2020	2019	
Current and other assets	\$ 88.6	\$ 100.4	-11.8%
Capital assets	<u>223.3</u>	<u>226.6</u>	-1.5%
Total assets	<u>311.9</u>	<u>327.0</u>	-4.6%
Deferred losses on debt refunding	61.1	2.3	3.7%
Deferred outflows of resources related to pensions	<u>12.2</u>	<u>58.9</u>	430.4%
Total deferred outflows of resources	<u>73.3</u>	<u>61.2</u>	19.8%
Current liabilities	28.0	20.7	35.3%
Long-term debt	<u>534.7</u>	<u>520.0</u>	2.8%
Total liabilities	<u>562.7</u>	<u>540.7</u>	4.1%
Deferred inflows of resources related to pensions	<u>21.9</u>	<u>17.5</u>	25.1%
Total deferred inflows of resources	<u>21.9</u>	<u>17.5</u>	25.1%
Net investment in capital assets	(50.0)	(43.6)	-14.7%
Restricted	33.4	26.1	28.0%
Unrestricted	<u>(182.8)</u>	<u>(152.5)</u>	-19.9%
Total net position	<u>\$ (199.4)</u>	<u>\$ (170.0)</u>	-17.3%

The changes in the District's financial position include the following: a decrease of \$6.4 million in net investment in capital assets, an increase of \$7.3 million in restricted net position, and a decrease of \$30.3 million in the unrestricted net position. In 2019-2020, the District's total assets decreased by \$15.1 million, or 4.6%, which resulted from a decrease of \$11.8 million, or 11.8% in current assets and a decrease of \$3.3 million, or 1.5% in capital assets. The total liabilities increased by \$22.0 million, or 4.1%, which resulted from an increase of \$7.3 million in current liabilities, and an increase of \$14.7 million in long-term debt. The increase in current liabilities was mostly from an increase in accounts payable at the end of the year, as well as the current portion of the long-term obligations. The increase in long-term debt was due to an increase in pension liability see Note 12 for more details, and an increase in general obligation bonds, see Note 9 for more details.

**CUPERTINO UNION SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

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**Changes in Net Position**

The District's total revenues decreased by 4.8%, or \$10.9 million. The decrease mostly resulted from one-time miscellaneous revenues totaling \$11.8 million in during the prior fiscal year ended June 30, 2019.

	Governmental Activities (in millions)		Percent Changes
	<u>2020</u>	<u>2019</u>	
Revenues			
Program revenues			
Charges for services	\$ 3.6	\$ 3.5	2.9%
Operating grants and contrinutions	29.5	26.4	11.7%
General revenues			
Property taxes	155.4	151.8	2.4%
Federal and State aid	29.1	34.9	-16.6%
Interest and investment earnings	0.7	0.8	-12.5%
Miscellaneous	<u>0.0</u>	<u>11.8</u>	-100.0%
Total revenues	<u>218.3</u>	<u>229.2</u>	-4.8%
Expenses			
Instruction	161.4	154.0	4.8%
Instruction related activities	25.3	25.4	-0.4%
Pupil services	15.2	16.0	-5.0%
General administration	13.4	12.1	-10.7%
Plant services	13.2	19.5	-32.3%
Ancillary and community services	1.9	2.8	-32.1%
Interest on long-term debt	<u>17.4</u>	<u>11.3</u>	54.0%
Total expenses	<u>247.8</u>	<u>241.1</u>	2.8%
Change in net assets	<u>\$ (29.5)</u>	<u>\$ (11.9)</u>	147.9%

The total cost of all programs and services increased \$6.7 million to \$247.8 million. The District's expenses are predominantly related to instruction and instruction related activities (75.3%). During 2019-2020, instruction and instruction related activity expenses rose by \$7.3 million, or 4.4%, plant services decreased by \$6.3 million, or 32.3% and the interest on long-term debt also increased by \$6.1 million, or 54%.

Total expenses exceeded total revenues by \$29.5 million, which decreased net position to \$199.4 million as of June 30, 2020.

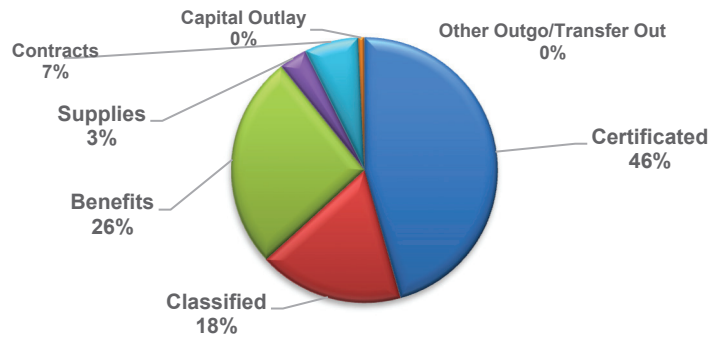
**CUPERTINO UNION SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

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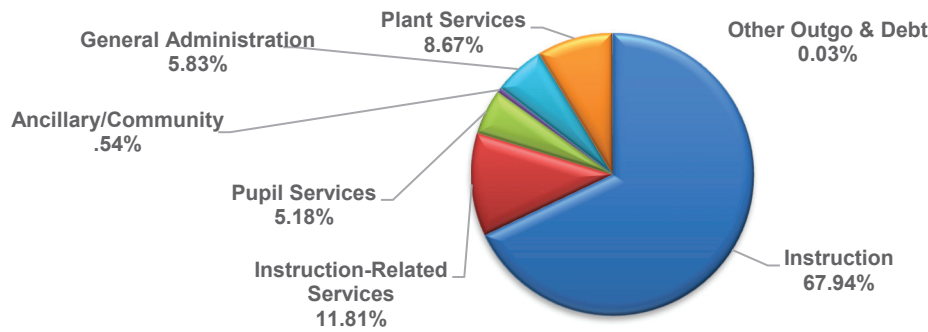
**Governmental Activities**

Charts 2 and 3 below illustrate the composition of the District's general fund expenditures, both by object and by function codes. As is common with other school districts, the majority of expenditures are for personnel salaries and the related benefits (approximately 77.8%, district-wide).

**Chart - 2  
General Fund Expenditures by Object  
FY 2019-2020**



**Chart - 3  
General Fund Expenditures by Function  
FY 2019-2020**



**General Fund Budgetary Highlights**

The original adopted budget projected an ending fund balance of \$26.2 million. The final budget projected an ending fund balance of \$28.6 million. The actual ending fund balance for the General Fund as of June 30, 2020 is \$29.2 million, with \$17.1 million reserved for school/program carryover and assigned fund balances.

The overall difference between the actual ending fund balance and final budget was a favorable variance of \$0.6 million.

Due to the Coronavirus pandemic and the Governor's shelter in place order, the District moved the instruction to the distance learning platform. The State also waived the District's Average Daily Attendance (ADA) and was allowed a hold harmless ADA, by using the 2018-2019 data.

**CUPERTINO UNION SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2020 the District had \$223.3 million invested in a broad range of capital assets, including land, school buildings, modular structures, computers and audio-visual equipment. This amount represents a net decrease of \$3.3 million or 1.5 percent over 2018-2019, which was mostly due to continued depreciation of existing assets, offset by the purchase and installation of modular structures installed at various schools. The major funding sources for these projects were from the proceeds from the sale of General Obligation Bonds, and developer fees. The table below presents the District's capital assets at June 30, 2020 and 2019, net of accumulated depreciation:

	Governmental Activities (in millions)		Percent Changes
	<u>2020</u>	<u>2019</u>	
	Land	\$ 8.7	
Site improvements	16.9	18.6	-9.1%
Building and improvements	196.3	197.7	-0.7%
Furniture and equipment	<u>1.4</u>	<u>1.6</u>	-12.5%
 Total capital assets	 <u>\$ 223.3</u>	 <u>\$ 226.6</u>	 -1.5%

**Capital Facilities Projects**

In June 2012 voters approved Measure H, a \$220 million general obligation bond for facility improvements. Additional District staff was hired to manage the Measure H bond program and selections of Architects, Construction Managers and other consultants were finalized and approved. As of June 30, 2020, approximately 88% of the \$220 million program total has been spent.

The District has sold three bond series, one for \$50,000,000 in October 2012, the second for \$99,995,000 in April 2014, the third for \$55,000,000 in March 2016, and the last for \$15,005,000 in March 2019. The Board of Education approved the initial Measure H Bond Program Implementation Plan in January 2013 and has approved five annual updates since. The Board also approves all changes to the approved bond project list on a quarterly basis.

The Measure H Bond Program undergoes financial and performance audits on a yearly basis. The bond program is also overseen by the Measure H Citizens Bond Oversight Committee (CBOC) which meets quarterly.

In 2020 approximately \$16.6 million of construction work was awarded.

**CUPERTINO UNION SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

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**Long-Term Debt**

As of June 30, 2020, the District had a total of \$534.4 million in total long-term debt outstanding, of which \$303.8 million in general obligation bonds and related accreted interest and unamortized premiums., \$228.1 million in pension liabilities and \$2.4 million in other long-term liabilities. This amount represents a net increase of \$14.4 million or 2.8% from 2018-2019. The net increase includes the combination of \$7.6 million increase in general obligation bonds, and \$11.8 million increase in pension liabilities, offset by 5.1 million decrease to unamortized premiums on general obligation bonds which occurred as a result of debt refunding during the year. The following table presents long-term debt for the District at June 30, 2020 and 2019:

	Governmental Activities (in millions)		Percent Changes
	<u>2020</u>	<u>2019</u>	
General Obligation Bonds	\$ 281.8	\$ 274.2	2.8%
Accreted interest	1.8	1.8	0.0%
Unamortized premiums on GO Bonds	20.2	25.3	-20.2%
Capital leases	0.5	0.6	-16.7%
Compensated absences	2.0	1.8	11.1%
Pension liabilities	<u>228.1</u>	<u>216.3</u>	5.5%
Total long-term debt	<u>\$ 534.4</u>	<u>\$ 520.0</u>	2.8%

**Net Pension Liability (NPL)**

Per GASB 68, districts are required to recognize the STRS and PERS employer costs and obligation for pensions on the financial statements. The STRS state on-behalf pension contribution for the District is calculated to be \$14.3, which is recorded as the state revenue and the expenditures in the new resource code 7690. At year-end, the District has a net pension liability of \$228.1 million versus \$216.3 million last year, and an increase of \$11.8 million, or 5.5 percent.

**CUPERTINO UNION SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

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**FACTORS BEARING ON THE DISTRICT'S FUTURE**

FY 2019-2020 saw the State budget adopted on time. The State Budget incorporated many of the Governor's May Revision provisions with a few minor changes. For school districts, this will be the seventh year of implementing the Local Control Funding Formula (LCFF). The target base grant by grade span for 2019-2020 have increased from 2018-2019 because the statutory COLA is 3.26%. Over the span, the employer and employee CalSTRS contribution rates will increase over their previous rates of 16.70% and 10.25% respectively. The employer contributions rates will increase to 18.10% by 2020-2021. The employer contribution to CalPERS will increase from 23.60% in 2020-2021, and to 24.9% by 2021-2022. The District continues to operate with a conservative budget philosophy. This is reflective by the District's ending reserve balance in addition to the mandated fund balance reserve for economic uncertainties

In December 2019, a novel strain of coronavirus surfaced and spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and financial results of the District could be materially adversely affected, including a reduction in the level of funding and impact to the timing of cash flows. While there was no material impact through the year ended June 30, 2020, the extent to which the coronavirus may impact financial activity will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact:

Jeff Bowman, Chief Operations Officer, Business Services  
10301 Vista Drive, Cupertino, CA 95014

Dorothy Reconose, Director of Fiscal Services  
10301 Vista Drive, Cupertino, CA 95014

## **BASIC FINANCIAL STATEMENTS**



CUPERTINO UNION SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
June 30, 2020

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments (Note 2)	\$ 75,448,999	\$ -	\$ 75,448,999
Receivables	12,819,266	17,013	12,836,279
Prepaid expenses	151,814		151,814
Interfund activities	(485,969)	485,969	-
Stores inventory	247,729	-	247,729
Non-depreciable capital assets (Note 4)	8,698,688	-	8,698,688
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>214,555,677</u>	<u>-</u>	<u>214,555,677</u>
Total assets	<u>311,436,204</u>	<u>502,982</u>	<u>311,939,186</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources - pensions (Notes 8 and 9)	61,074,195	54,945	61,129,140
Deferred loss from refunding of debt	<u>12,196,757</u>	<u>-</u>	<u>12,196,757</u>
Total deferred outflows	<u>73,270,952</u>	<u>54,945</u>	<u>73,325,897</u>
<b>LIABILITIES</b>			
Accounts payable	23,874,916	141,312	24,016,228
Unearned revenue	1,487,070	8,615	1,495,685
Self-insurance claim liability (Note 6)	2,505,000	-	2,505,000
Long-term liabilities (Note 5):			
Due within one year	14,201,782	-	14,201,782
Due after one year	<u>520,153,270</u>	<u>368,000</u>	<u>520,521,270</u>
Total liabilities	<u>562,222,038</u>	<u>517,927</u>	<u>562,739,965</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - pensions (Notes 8 and 9)	<u>21,902,000</u>	<u>40,000</u>	<u>21,942,000</u>
<b>NET POSITION</b>			
Net investment in capital assets	(49,983,355)	-	(49,983,355)
Restricted:			
Legally restricted programs	7,838,569	-	7,838,569
Capital projects	1,629,890	-	1,629,890
Debt service	17,481,515	-	17,481,515
Self-insurance	6,425,418	-	6,425,418
Unrestricted	<u>(182,808,919)</u>	<u>-</u>	<u>(182,808,919)</u>
Total net position	<u>\$ (199,416,882)</u>	<u>\$ -</u>	<u>\$ (199,416,882)</u>

See accompanying notes to financial statements.

CUPERTINO UNION SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2020

	Program Revenues		Net (Expense) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
Instruction	\$ 161,377,981	\$ 835,048	\$ 24,751,654	\$ (135,791,279)	\$ -	\$ (135,791,279)
Instruction-related services:						
Supervision of instruction	9,066,171	2,161	1,194,710	(7,869,300)	-	(7,869,300)
Instructional library, media and technology	2,535,095	19,171	192,458	(2,323,466)	-	(2,323,466)
School site administration	13,660,574	2,331	510,416	(13,147,827)	-	(13,147,827)
Pupil services:						
Home-to-school transportation	4,279,204	-	-	(4,279,204)	-	(4,279,204)
Food services	3,943,810	2,597,069	1,107,724	(239,017)	-	(239,017)
All other pupil services	6,957,971	13,097	986,307	(5,958,567)	-	(5,958,567)
General administration:						
Centralized data processing	4,953,392	-	-	(4,953,392)	-	(4,953,392)
All other general administration	8,492,097	91,534	610,416	(7,790,147)	-	(7,790,147)
Plant services	13,241,869	14,046	73,931	(13,153,892)	-	(13,153,892)
Ancillary services	238,061	8,831	86,446	(142,784)	-	(142,784)
Community services	982,058	-	14,804	(967,254)	-	(967,254)
Enterprise activities	706,006	-	2,688	(703,318)	-	(703,318)
Interest on long-term liabilities	17,401,486	-	-	(17,401,486)	-	(17,401,486)
Total governmental activities	<u>247,835,775</u>	<u>3,583,288</u>	<u>29,531,554</u>	<u>(214,720,933)</u>	<u>-</u>	<u>(214,720,933)</u>
Business-type activities:						
Preschool enterprise fund	<u>1,110,309</u>	<u>627,256</u>	<u>735,695</u>	<u>-</u>	<u>252,642</u>	<u>252,642</u>
Total governmental and business-type activities	<u>\$ 248,946,084</u>	<u>\$ 4,210,544</u>	<u>\$ 30,267,249</u>	<u>\$ (214,720,933)</u>	<u>\$ 252,642</u>	<u>\$ (214,468,291)</u>
General revenues:						
Taxes and subventions:						
Taxes levied for general purposes				127,112,314	-	127,112,314
Taxes levied for debt service				19,820,731	-	19,820,731
Taxes levied for other specific purposes				8,500,178	-	8,500,178
Federal and state aid not restricted to specific purposes				29,113,523	-	29,113,523
Interest and investment earnings				717,638	-	717,638
Interagency revenues				<u>7,770</u>	<u>-</u>	<u>7,770</u>
Total general revenues				<u>185,272,154</u>	<u>-</u>	<u>185,272,154</u>
Change in net position				(29,448,779)	252,642	(29,196,137)
Net position, July 1, 2019				<u>(169,968,103)</u>	<u>(252,642)</u>	<u>(170,220,745)</u>
Net position, June 30, 2020				<u>\$ (199,416,882)</u>	<u>\$ -</u>	<u>\$ (199,416,882)</u>

See accompanying notes to financial statements.

CUPERTINO UNION SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2020

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments:					
Cash in County Treasury	\$ 28,827,129	\$ 17,063,659	\$ 17,440,459	\$ 1,785,374	\$ 65,116,621
Cash in revolving fund	75,000	-	-	1,959	76,959
Cash on hand and in banks	-	-	-	164,357	164,357
Receivables	11,981,791	212,835	41,056	457,845	12,693,527
Due from other funds	30,295	-	-	971	31,266
Prepaid expenditures	151,814	-	-	-	151,814
Stores inventory	87,616	-	-	160,113	247,729
	<u>41,153,645</u>	<u>17,276,494</u>	<u>17,481,515</u>	<u>2,570,619</u>	<u>78,482,273</u>
Total assets	<u>\$ 41,153,645</u>	<u>\$ 17,276,494</u>	<u>\$ 17,481,515</u>	<u>\$ 2,570,619</u>	<u>\$ 78,482,273</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 11,159,863	\$ 186,275	\$ -	\$ 13,311	\$ 11,359,449
Unearned revenue	266,654	-	-	-	266,654
Due to other funds	488,883	3,790	-	22,807	515,480
	<u>11,915,400</u>	<u>190,065</u>	<u>-</u>	<u>36,118</u>	<u>12,141,583</u>
Total liabilities	<u>11,915,400</u>	<u>190,065</u>	<u>-</u>	<u>36,118</u>	<u>12,141,583</u>
Fund balances:					
Nonspendable	314,430	-	-	162,072	476,502
Restricted	6,911,188	17,086,429	17,481,515	2,372,429	43,851,561
Assigned	10,197,230	-	-	-	10,197,230
Unassigned	11,815,397	-	-	-	11,815,397
	<u>29,238,245</u>	<u>17,086,429</u>	<u>17,481,515</u>	<u>2,534,501</u>	<u>66,340,690</u>
Total fund balances	<u>29,238,245</u>	<u>17,086,429</u>	<u>17,481,515</u>	<u>2,534,501</u>	<u>66,340,690</u>
Total liabilities and fund balances	<u>\$ 41,153,645</u>	<u>\$ 17,276,494</u>	<u>\$ 17,481,515</u>	<u>\$ 2,570,619</u>	<u>\$ 78,482,273</u>

See accompanying notes to financial statements.

CUPERTINO UNION SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2020

Total fund balances - Governmental Funds \$ 66,340,690

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

Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$533,678,621 and the accumulated depreciation is \$310,424,256 (Note 4). 223,254,365

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2020 consisted of (Note 5):

General Obligation Bonds	\$ (281,813,302)	
Accreted interest	(1,781,137)	
Unamortized premiums	(20,156,765)	
Net pension liability (Notes 8 and 9)	(228,128,000)	
Compensated absences	(1,947,779)	
Capital leases	<u>(528,069)</u>	
		(534,355,052)

Losses on refundings of debt are categorized as deferred outflows and are amortized over the shorter life of the refunded or refunding of the debt. 12,196,757

In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported (Notes 8 and 9):

Deferred outflows of resources relating to pensions	61,074,195	
Deferred inflows of resources relating to pensions	<u>(21,902,000)</u>	
		39,172,195

Internal service funds are included in the government-wide financial statements. 6,425,418

Unmatured interest is not recognized until it is due and, therefore, is not accrued as a payable in the governmental funds. (12,451,255)

Total net position - governmental activities \$ (199,416,882)

See accompanying notes to financial statements.

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

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:					
Local Control Funding Formula (LCFF):					
State apportionment	\$ 24,790,930	\$ -	\$ -	\$ -	\$ 24,790,930
Local sources	<u>127,112,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>127,112,315</u>
Total LCFF	<u>151,903,245</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>151,903,245</u>
Federal sources	4,046,305	-	-	1,041,272	5,087,577
Other state sources	18,280,451	-	69,826	76,011	18,426,288
Other local sources	<u>18,042,042</u>	<u>3,672,256</u>	<u>19,874,033</u>	<u>3,634,781</u>	<u>45,223,112</u>
Total revenues	<u>192,272,043</u>	<u>3,672,256</u>	<u>19,943,859</u>	<u>4,752,064</u>	<u>220,640,222</u>
Expenditures:					
Current:					
Certificated salaries	89,903,589	-	-	-	89,903,589
Classified salaries	34,713,722	371,971	-	1,682,389	36,768,082
Employee benefits	51,241,830	117,516	-	569,331	51,928,677
Books and supplies	6,790,662	42,069	-	1,294,224	8,126,955
Contract services and operating expenditures	12,938,753	1,039,582	904,105	421,249	15,303,689
Capital outlay	1,392,336	12,113,203	-	833,159	14,338,698
Debt service:					
Principal retirement	61,881	-	7,920,000	-	7,981,881
Interest	<u>-</u>	<u>-</u>	<u>9,925,013</u>	<u>-</u>	<u>9,925,013</u>
Total expenditures	<u>197,042,773</u>	<u>13,684,341</u>	<u>18,749,118</u>	<u>4,800,352</u>	<u>234,276,584</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(4,770,730)</u>	<u>(10,012,085)</u>	<u>1,194,741</u>	<u>(48,288)</u>	<u>(13,636,362)</u>
Other financing sources (uses):					
Transfers in	2,573,589	-	-	601	2,574,190
Transfers out	(601)	(2,453,509)	-	(120,080)	(2,574,190)
Proceeds from issuance of bonds	-	-	120,535,000	-	120,535,000
Deposit to refunding escrow	<u>-</u>	<u>-</u>	<u>(119,630,895)</u>	<u>-</u>	<u>(119,630,895)</u>
Total other financing sources (uses)	<u>2,572,988</u>	<u>(2,453,509)</u>	<u>904,105</u>	<u>(119,479)</u>	<u>904,105</u>
Net change in fund balances	(2,197,742)	(12,465,594)	2,098,846	(167,767)	(12,732,257)
Fund balances, July 1, 2019	<u>31,435,987</u>	<u>29,552,023</u>	<u>15,382,669</u>	<u>2,702,268</u>	<u>79,072,947</u>
Fund balances, June 30, 2020	<u>\$ 29,238,245</u>	<u>\$ 17,086,429</u>	<u>\$ 17,481,515</u>	<u>\$ 2,534,501</u>	<u>\$ 66,340,690</u>

See accompanying notes to financial statements.

CUPERTINO UNION SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2020

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Net change in fund balances - Total Governmental Funds		\$ (12,732,257)
Amounts reported for governmental activities in the statement of activities are different because:		
Acquisition of capital assets is an expenditure in governmental funds but increases capital assets in the statement of net position (Note 4).	\$ 14,338,566	
Depreciation of capital assets is an expense that is not recorded in governmental funds (Note 4).	(17,657,212)	
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5).	7,981,881	
The portion of deposits to refunding escrow which relate to refunding of principal on long-term liabilities are reported as other financing uses in the governmental funds, but decrease long term liabilities in the Statement of Net Position (Note 5).	105,040,000	
Issuance of long-term liabilities are recognized as other financing sources in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5).	(120,535,000)	
Accreted interest is not recognized in the governmental funds until it becomes due, but increases the long-term liabilities in the statement of net position (Note 5).	16,490	
In governmental funds, debt issued at a premium is recognized as an other financing source. In the government-wide statements debt issued at a premium is amortized with interest over the life of the debt (Note 5).	5,145,277	
Unmatured interest on long-term liabilities is not recorded in the governmental funds until it becomes due, but increases the liabilities in the statement of net position.	(7,095,693)	
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:	(14,137,681)	
Activities of the internal service funds are reported with governmental activities.	420,259	
In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 6) by the amount of financial resources used (Note 5).	(185,862)	
In the governmental funds, deferred outflows of resources are not recognized. In the government-wide statements, deferred outflows of resources are amortized over the shortened life of the refunded or refunding debt.	9,952,453	(16,716,522)
Change in net position of governmental activities		<u>\$ (29,448,779)</u>

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See accompanying notes to financial statements.

CUPERTINO UNION SCHOOL DISTRICT  
STATEMENT OF NET POSITION – PROPRIETARY FUNDS  
For the Year Ended June 30, 2020

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
	<u>Preschool Fund</u>	<u>Self-Insurance</u>
<b>ASSETS</b>		
Current Assets:		
Cash and investments (Note 2):		
Cash in County Treasury	\$ -	\$ 6,063,964
Cash on hand and in banks	-	73,731
Cash with fiscal agent	-	3,953,367
Due from other funds (Note 3)	487,107	805
Receivables	<u>17,013</u>	<u>125,739</u>
 Total assets	 <u>504,120</u>	 <u>10,217,606</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows of resources related to pensions	<u>54,945</u>	<u>-</u>
 <b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	141,312	64,212
Due to other funds (Note 3)	1,138	2,560
Unearned revenue	8,615	1,220,416
Self-insurance claim liability (Note 6)	<u>-</u>	<u>2,505,000</u>
 Current liabilities	 <u>151,065</u>	 <u>3,792,188</u>
 Non-Current Liabilities		
Net pension liability (Note 9)	<u>368,000</u>	<u>-</u>
 Total liabilities	 <u>519,065</u>	 <u>3,792,188</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows of resources related to pensions	<u>40,000</u>	<u>-</u>
 <b>NET POSITION</b>		
Restricted - insurance programs	<u>-</u>	<u>6,425,418</u>
Total Net Position	<u>\$ -</u>	<u>\$ 6,425,418</u>

See accompanying notes to financial statements.

CUPERTINO UNION SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2020

	Business-Type Activities	Governmental Activities
	<u>Enterprise Fund</u> <u>Preschool Fund</u>	Internal <u>Service Fund</u> <u>Self-Insurance</u>
Operating revenues:		
In-District premiums	\$ -	\$ 23,130,139
User charges	627,256	-
District contributions	<u>735,695</u>	<u>-</u>
Total operating revenues	<u>1,362,951</u>	<u>23,130,139</u>
Operating expenses:		
Certificated salaries	83,042	70,952
Classified salaries	443,081	88,976
Employee benefits	557,534	48,057
Books and supplies	26,652	183,917
Insurance claims and premium expense	<u>-</u>	<u>22,405,765</u>
Total operating expenses	<u>1,110,309</u>	<u>22,797,667</u>
Operating income	<u>252,642</u>	<u>332,472</u>
Non-operating revenue:		
Interest income	<u>-</u>	<u>87,787</u>
Change in Net Position	252,642	420,259
Net Position - Beginning	<u>(252,642)</u>	<u>6,005,159</u>
Net Position - Ending	<u>\$ -</u>	<u>\$ 6,425,418</u>

See accompanying notes to financial statements.



CUPERTINO UNION SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
For the Year Ended June 30, 2020

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
	<u>Preschool Fund</u>	<u>Self-Insurance</u>
Cash flows from operating activities:		
Cash received from user charges	\$ 115,840	\$ 23,125,790
Cash received from other funds	859,586	-
Cash payments to employees for services	(983,244)	(207,985)
Cash payments for insurance claims and transfers	-	(22,861,204)
Cash payments to suppliers for goods and services	<u>(46,910)</u>	<u>(183,917)</u>
Net cash used in operating activities	<u>(54,728)</u>	<u>(127,316)</u>
Cash flows from investing activities:		
Interest on investments	<u>-</u>	<u>87,787</u>
Net cash provided by investing activities	<u>-</u>	<u>87,787</u>
Net change in cash and cash equivalents	(54,728)	(39,529)
Cash and cash equivalents, July 1, 2019	<u>54,728</u>	<u>10,130,591</u>
Cash and cash equivalents, June 30, 2020	<u>\$ -</u>	<u>\$ 10,091,062</u>
Reconciliation of operating income to net cash used in operating activities:		
Operating income	\$ 252,642	\$ 332,472
Adjustments to reconcile operating income to net cash used in operating activities:		
(Increase) decrease in:		
Receivables	20,504	(96,233)
Due from other funds	(487,107)	(805)
Deferred outflows	32,257	-
Increase (decrease) in:		
Net pension liability	43,610	-
Self-insurance claim liability	-	(490,095)
Deferred inflows	24,546	-
Accounts payable	103,633	34,656
Due to other funds	1,138	(26)
Unearned revenue	<u>(45,951)</u>	<u>92,715</u>
Net cash used in operating activities	<u>\$ (54,728)</u>	<u>\$ (127,316)</u>

See accompanying notes to financial statements.

CUPERTINO UNION SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND  
For the Year Ended June 30, 2020

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**ASSETS**

Cash on hand and in bank (Note 2)	\$ <u>107,209</u>
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**LIABILITIES**

Due to student groups	\$ <u>107,209</u>
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See accompanying notes to financial statements.

CUPERTINO UNION SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

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

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

The District has reviewed GASB criteria to determine whether other entities should be included within its financial reporting entity. The District has determined that no other outside entity meets the criteria, and therefore, no other agencies have been included as components unit in the District's financial statements.

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

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

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

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

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

Basis of Presentation - Fund Accounting: The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, 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.

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(Continued)

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

A - Major Funds

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

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

*Bond Interest and Redemption Fund* - The Bond Interest and Redemption Fund is a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

B - Other Funds

*Cafeteria Fund* – The Cafeteria Fund is a special revenue fund that is used to account for the proceeds of specific revenue sources that are legally restricted for cafeteria operations.

*Capital Facilities Fund* - The Capital Facilities Fund is a capital projects fund which accounts for financial resources used for the acquisition or construction of major capital facilities and other capital assets.

*Preschool Enterprise Fund* – The Preschool Enterprise Fund is a business-type activities fund which accounts for financial transactions related to the preschool operations of the District.

*Self-Insurance Fund* – The Self-Insurance Fund is an internal service fund used to account for workers' compensation, dental and medical benefits provided to employees of the District.

*Agency Fund* – The Agency Fund is a fiduciary fund for which the District acts as an agent. The Agency Fund includes all activity and assets of the Student Body Funds of the District.

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

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

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

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

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(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

Receivables: Receivables are made up principally of amounts due from the State of California and categorical programs. The District has determined that no allowance for doubtful accounts was necessary at June 30, 2020.

Stores Inventory: Inventories in the General and Cafeteria Funds are valued at average cost. Inventory recorded in the General and Cafeteria Funds consists mainly of school supplies and consumable supplies. Inventories are recorded as an expenditure at the time the individual inventory items are transferred from the warehouse to schools and offices.

Capital Assets: Capital assets purchased or acquired, with an original cost of \$5,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at acquisition value for the contributed asset. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 2 - 50 years depending on asset types.

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

In addition to liabilities, the Statement of Net Position includes 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 future periods and as such, will not be recognized as an inflow of resources (revenue) until that time. The District has recognized a deferred inflow of resources related to the recognition of the net pension liability.

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

The following is a summary of pension amounts in the aggregate.

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	\$ 45,404,938	\$ 15,724,202	\$ 61,129,140
Deferred inflows of resources	\$ 19,321,000	\$ 2,621,000	\$ 21,942,000
Net pension liability	\$ 155,098,000	\$ 73,398,000	\$ 228,496,000
Pension expense	\$ 34,914,445	\$ 15,324,931	\$ 50,239,376

The District allocated approximately 0.16 percent of its proportionate share of PERF B net pension liability and related deferred inflows and deferred outflows of resources, to the District's business-type activities.

(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

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

Compensated Absences: Compensated absences benefits totaling \$528,069 are recorded as a liability of the District. The liability is for the earned but unused benefits.

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

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

Net Position: Net position is displayed in three components:

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

2 - Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not appropriate for expenditure or amounts legally segregated for a specific future use. The restriction for legally restricted programs represents the portion of net position restricted to specific program expenditures. The restriction for capital projects represents the portion of net position restricted for capital projects. The restriction for debt service represents the portion of net position available for the retirement of debt. The restriction for self-insurance represents the portion of net position restricted for the District's workers' compensation claims, dental and medical benefits provided to employees. It is the District's policy to use restricted net position first when allowable expenditures are incurred.

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

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

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

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(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

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

**C - Committed Fund Balance:** The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance. At June 30, 2020, the District had no committed fund balances.

**D - Assigned Fund Balance:** The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. While the Board of Education has empowered members of management to suggest individual amounts to be assigned, as of June 30, 2020 no formal designation of assignment authority has occurred and the Board of Education retains ultimate authority for assigning fund balance.

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

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

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

While GASB Cod. Sec. 1300 and 1800 do not require Districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2020, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

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

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. All encumbrances are liquidated as of June 30.

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(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

Elimination and Reclassifications: In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

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

**NOTE 2 - CASH AND INVESTMENTS**

Cash and investments at June 30, 2020 consisted of the following:

	Governmental Activities			Fiduciary Activities
	Governmental Funds	Internal Service Fund	Total	
Pooled Funds:				
Cash in County Treasury	\$ 65,116,621	\$ 6,063,964	\$ 71,180,585	\$ -
Deposits:				
Cash in revolving fund	76,959	-	76,959	-
Cash on hand and in banks	164,357	73,731	238,088	107,209
Cash with Fiscal Agent	-	3,953,367	3,953,367	-
Total cash and Investments	\$ 65,357,937	\$ 10,091,062	\$ 75,448,999	\$ 107,209

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

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2020, the carrying amount of the District's accounts was \$422,256 and the bank balances totaled \$357,387, of which \$357,274 was insured by the FDIC. Uninsured amounts remained collateralized.

Deposits - Cash with Fiscal Agent: Cash with Fiscal Agent represents amounts held in escrow by a party custodian in the District's name. The balances are comprised entirely of cash equivalents and are carried at amortized cost.

(Continued)



CUPERTINO UNION SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

Interest Rate Risk: The District allows investments with Federal Government Issues that have a maturity date of five years or less. At June 30, 2020, the District had no significant interest rate risk related to cash and investments held.

Credit Risk: The District may invest as permitted by state law all or part of the special revenue fund of the District or any surplus monies not required for immediate District operations. Such investments shall be limited to securities in Government Code 16430, 53601, and 53635. At June 30, 2020, the District had no significant credit risk.

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2020, the District had no concentration of credit risk.

**NOTE 3 - INTERFUND TRANSACTIONS**

Interfund Activity: Transactions between funds of the District are recorded as interfund transfers. The unpaid balances at year end, as a result of such transactions, are shown as due to and due from other funds.

Interfund Receivables/Payables: Individual fund interfund receivable and payable balances at June 30, 2020 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Governmental Activities:</u>		
Major Funds:		
General	\$ 30,295	\$ 488,883
Building	-	3,790
Non-Major Funds:		
Capital Facilities	-	473
Cafeteria	971	22,334
Internal Service Fund:		
Self-Insurance	805	2,560
<u>Business Type Activities:</u>		
Preschool Enterprise	487,107	1,138
Totals	\$ 519,178	\$ 519,178

Transfers: Transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Transfers for the 2018-2019 fiscal year were as follows:

Transfer from the General Fund to the Cafeteria Fund to cover operating deficit.	\$ 601
Transfer from the Cafeteria Fund to the General Fund for indirect cost support.	120,080
Transfer from the Building Fund to the General Fund for Routine Repair Maintenance Account contribution.	2,453,509
	\$ 2,574,190

(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 4 - CAPITAL ASSETS**

A schedule of changes in capital assets for the year ended June 30, 2020 is shown below:

	Balance July 1, <u>2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2020</u>
Non-depreciable:				
Land	\$ 8,698,688	\$ -	\$ -	\$ 8,698,688
Depreciable:				
Buildings	468,242,568	13,498,707	-	481,741,275
Improvement of sites	35,610,671	730,587	-	36,341,258
Equipment	<u>6,805,274</u>	<u>109,272</u>	<u>(17,146)</u>	<u>6,897,400</u>
Totals, at cost	<u>519,357,201</u>	<u>14,338,566</u>	<u>(17,146)</u>	<u>533,678,621</u>
Less accumulated depreciation:				
Buildings	270,554,953	14,888,569	-	285,443,522
Improvement of sites	17,016,320	2,415,969	-	19,432,289
Equipment	<u>5,212,917</u>	<u>352,674</u>	<u>17,146</u>	<u>5,548,445</u>
Total accumulated depreciation	<u>292,784,190</u>	<u>17,657,212</u>	<u>17,146</u>	<u>310,424,256</u>
Capital assets, net	<u>\$ 226,573,011</u>	<u>\$ 31,995,778</u>	<u>\$ -</u>	<u>\$ 223,254,365</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 17,191,794
Supervision of instruction	2,584
Home-to-school transportation	208,763
Food services	34,066
Data processing	46,370
General administration	4,680
Plant services	<u>168,955</u>
Total depreciation expense	<u>\$ 17,657,212</u>

(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 5 - LONG-TERM LIABILITIES**

The following is a schedule of the District's outstanding General Obligation Bonds:

Series	Interest Rate %	Fiscal Year Maturity	Amount of Original Issuance	Outstanding July 1, 2019	Current Year Proceeds	Current Year Maturities	Current Year Refunded	Outstanding July 1, 2020
Election of 2001, Series C	6.74%	2033	\$ 374,615	\$ 374,615	-	-	-	\$ 374,615
Election of 2001, Series D	6.43-7.70%	2035	3,398,760	553,601	-	-	-	553,601
2010 GO Refunding Bonds	2.0-5.0%	2024	13,490,000	1,460,000	-	695,000	-	765,000
2011 GO Refunding Bonds, Series A	2.0-5.0%	2027	21,090,000	13,670,000	-	1,410,000	9,225,000	3,035,000
2011 GO Refunding Bonds, Series B	2.0-5.0%	2021	14,640,000	3,310,000	-	1,680,000	-	1,630,000
Election of 2001, Series E	3.0-12.0%	2028	4,995,086	1,805,086	-	335,000	-	1,470,086
Election of 2012, Series A	2.0-5.0%	2038	50,000,000	31,990,000	-	445,000	24,125,000	7,420,000
2013 GO Refunding Bonds, Series A	5.0%	2028	35,485,000	35,485,000	-	-	24,500,000	10,985,000
2013 GO Refunding Bonds, Series B	2.0-4.0%	2025	22,320,000	14,600,000	-	2,570,000	-	12,030,000
Election of 2012, Series B	2.0-5.0%	2039	99,995,000	85,060,000	-	785,000	47,190,000	37,085,000
Election of 2012, Series C	3.0-5.0%	2041	55,000,000	45,940,000	-	-	-	45,940,000
2016 GO Refunding Bonds	3.0-5.0%	2035	25,090,000	24,985,000	-	-	-	24,985,000
Election of 2012, Series D	2.5-5.0%	2041	15,005,000	15,005,000	-	-	-	15,005,000
2019 GO Refunding Bonds	1.7%-3.0%	2038	120,535,000	-	120,535,000	-	-	120,535,000
Total				<u>\$ 274,238,302</u>	<u>\$ 120,535,000</u>	<u>\$ 7,920,000</u>	<u>\$ 105,040,000</u>	<u>\$ 281,813,302</u>

(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

On November 6, 2019, the District issued 2019 Refunding General Obligation Bonds (2019 Refunding) totaling \$120,535,000. The proceeds from the 2019 Refunding were used to refunding, on an advanced basis, certain maturities of the 2011 Series A GO Refunding Bonds, Election of 2001 Series E GO Bonds, 2013 Series A GO Refunding Bonds, and Election of 2012 Series B GO Bonds. The 2019 Refunding bears interest at rates ranging from 1.7% to 3.0%, and are scheduled to mature through August 1, 2037.

Although the refunding transaction will result in the recognition of an accounting loss of \$ \$11,875,956 for the year ended June 30, 2020, the District in effect reduced its aggregate debt service payments by \$11,192,811 over the next 17 years and obtained an economic gain of \$8,918,985.

The District's outstanding General Obligation Bonds are scheduled to mature as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 11,995,000	\$ 14,941,506	\$ 26,936,506
2022	11,325,000	14,467,858	25,792,858
2023	12,510,000	13,416,883	25,926,883
2024	13,785,000	12,946,363	26,731,363
2025	15,075,000	11,156,094	26,231,094
2026-2030	66,953,687	37,996,619	104,950,306
2031-2035	63,474,615	22,102,428	85,577,043
2036-2040	71,855,000	9,505,775	81,360,775
2041	<u>14,840,000</u>	<u>569,950</u>	<u>15,409,950</u>
Totals	<u>\$ 281,813,302</u>	<u>\$ 137,103,475</u>	<u>\$ 418,916,777</u>

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

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Amounts Due Within One Year
<u>Debt:</u>					
General Obligation Bonds	\$ 274,238,302	\$ 120,535,000	\$ 112,960,000	\$ 281,813,302	\$ 11,995,000
Accreted interest	1,797,627	-	16,490	1,781,137	264,522
Unamortized premiums	25,302,042	-	5,145,277	20,156,765	1,880,379
<u>Other long-term liabilities:</u>					
Net pension liability (Notes 8 & 9)	216,261,969	11,866,031	-	228,128,000	-
Compensated absences	1,761,917	185,862	-	1,947,779	-
Capital leases	<u>589,950</u>	<u>-</u>	<u>61,881</u>	<u>528,069</u>	<u>61,881</u>
Totals	<u>\$ 519,951,807</u>	<u>\$ 132,586,893</u>	<u>\$ 118,183,648</u>	<u>\$ 534,355,052</u>	<u>\$ 14,201,782</u>

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on capital leases are made from the General Fund. Payments for the net pension liability and compensated absences are made from the funds which the respective employee worked.

(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 6 – RISK MANAGEMENT**

Workers' Compensation and Property and Liability: The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District contracted with the Northern California RELIEF public entity risk pool for property and liability, fidelity and boiler insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year. Employee workers' compensation, dental and medical programs are administered by the Self-Insurance Fund.

<u>Insurance Program / Company Name</u>	<u>Type of Coverage</u>	<u>Limits</u>
Property and Liability:		
North California ReLIEF	Property	\$ 250,250,000
North California ReLIEF	Liability	\$ 1,000,000
Protected Insurance Programs for Schools Joint:		
Power Authority (PIPS)	Worker's Compensation	\$ 155,000,000

Claims Liabilities: The District is self-insured for dental and medical benefits. Additionally, the District was previously self-insured for workers compensation prior to the year ended June 30, 2006.. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses)and an estimate for claims incurred, but not reported based on historical experience

	<u>Workers'</u> <u>Compensation</u>	<u>Dental</u>	<u>Medical</u>	<u>Total</u>
Liability Balance, June 30, 2018	\$ 2,218,138	\$ 119,057	\$ 678,080	\$ 3,015,275
Claims and changes in estimates	(8,320)	(147,204)	(3,893,413)	(4,048,937)
Claims payments	<u>6,863</u>	<u>144,721</u>	<u>3,877,173</u>	<u>4,028,757</u>
Liability Balance, June 30, 2019	2,216,681	116,574	661,840	2,995,095
Claims and changes in estimates	(433,433)	(111,099)	(3,842,013)	(4,386,545)
Claims payments	<u>6,452</u>	<u>105,825</u>	<u>3,784,173</u>	<u>3,896,450</u>
Liability Balance, June 30, 2020	<u>\$ 1,789,700</u>	<u>\$ 111,300</u>	<u>\$ 604,000</u>	<u>\$ 2,505,000</u>

(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

**NOTE 7 - FUND BALANCES**

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

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable:					
Revolving cash fund	\$ 75,000	\$ -	\$ -	\$ 1,959	\$ 76,959
Stores inventory	87,616	-	-	160,113	247,729
Prepaid expenditures	151,814	-	-	-	151,814
Subtotal nonspendable	<u>314,430</u>	<u>-</u>	<u>-</u>	<u>162,072</u>	<u>476,502</u>
Restricted:					
Legally restricted programs	6,911,188	-	-	765,309	7,676,497
Capital projects	-	17,086,429	-	1,607,120	18,693,549
Debt service	-	-	17,481,515	-	17,481,515
Subtotal restricted	<u>6,911,188</u>	<u>17,086,429</u>	<u>17,481,515</u>	<u>2,372,429</u>	<u>43,851,561</u>
Assigned:					
Supplemental LCFF carry-over	1,814,742	-	-	-	1,814,742
District programs carry-over	7,512,240	-	-	-	7,512,240
Other assignments	870,248	-	-	-	870,248
Subtotal assigned	<u>10,197,230</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,197,230</u>
Unassigned:					
Designated for economic uncertainty	11,815,397	-	-	-	11,815,397
Total fund balances	<u>\$ 29,238,245</u>	<u>\$ 17,086,429</u>	<u>\$ 17,481,515</u>	<u>\$ 2,534,501</u>	<u>\$ 66,340,690</u>

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

*General Information about the State Teachers' Retirement Plan*

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

(Continued)

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

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

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

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

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

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

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

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

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

In June 2019, California Senate Bill 90 (SB 90) was signed into law and appropriated approximately \$2.2 billion in fiscal year 2018–19 from the state's General Fund as contributions to CalSTRS on behalf of employers. The bill requires portions of the contribution to supplant the amounts remitted by employers such that the amounts remitted will be 1.03 and 0.70 percentage points less than the statutorily required amounts due for fiscal years 2019–20 and 2020–21, respectively. The remaining portion of the contribution, approximately \$1.6 billion, was allocated to reduce the employers' share of the unfunded actuarial obligation of the DB Program.

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(Continued)

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

California Assembly Bill 84, Chapter 16, Statutes of 2020 (AB 84), was signed into law in June 2020 and revised certain provisions of Teachers' Retirement Law enacted by SB 90. Specifically, AB 84 repurposed the aforementioned \$1.6 billion contribution originally intended to reduce employers' long-term liabilities, to further supplant employer contributions through fiscal year 2021–22. Pursuant to AB 84, employers will remit contributions to CalSTRS based on a rate that is 2.95% less than the statutory rate for fiscal year 2020–21 and 2.18% less than the rate set by the board for fiscal year 2021–22. Any remaining amounts must be allocated to reduce the employers' share of the unfunded actuarial obligation of the DB Program. The rate reduction for fiscal year 2019-20 under SB 90 was not changed by AB 84. The employer contribution rates set in statute and the CalSTRS board's authority to adjust those rates starting in fiscal year 2021–22 under the CalSTRS Funding Plan were not changed by the passage of SB 90 or AB 84.

A summary of statutory contribution rates and other sources of contributions to the DB Program are as follows:

*Members* - Under CalSTRS 2% at 60, the member contribution rate was 10.25 percent of applicable member earnings for fiscal year 2019-2020. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 10.205 percent of applicable member earnings for fiscal year 2019-2020.

In general, member contributions cannot increase unless members are provided with some type of "comparable advantage" in exchange for such increases. Under previous law, the Legislature could reduce or eliminate the 2 percent annual increase to retirement benefits. As a result of AB 1469, effective July 1, 2014, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014, and in exchange for this "comparable advantage," the member contribution rates have been increased by an amount that covers a portion of the cost of the 2 percent annual benefit adjustment.

*Employers* – 17.10 percent of applicable member earnings. This rate reflects the original employer contribution rate of 18.13 percent under AB1469, reduced for the 1.03 percentage points to be paid on behalf of employers pursuant to SB 90.

Pursuant to AB 1469, employer contributions will increase from 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The legislation also gives the CalSTRS board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The CalSTRS board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent. The CalSTRS employer contribution rate increases effective for fiscal year 2019-20 through fiscal year 2045-46 are summarized in the table below.

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(Continued)



CUPERTINO UNION SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

<u>Effective Date</u>	<u>Prior Rate</u> <sup>(1)</sup>	<u>Increase</u>	<u>Total</u>
July 01, 2019	8.25%	9.88%	18.13% <sup>(1)</sup>
July 01, 2020	8.25%	10.85%	19.10% <sup>(2)</sup>
July 01, 2021 to June 30, 2046	8.25%	(3)	(3)
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

(1) This rate does not reflect the reduction of employer contributions to be paid by the employer for fiscal year 2019–20 by 1.03 percentage points pursuant to SB 90.

(2) This rate does not include the reduction of employer contributions to be paid by the employer for fiscal year 2020-21 by 2.95 percentage points pursuant to SB 90 and AB84.

(3) The CalSTRS Funding Plan authorizes the board to adjust the employer contribution rate up or down 1% each year, but no higher than 20.25% total and no lower than 8.25%.

The District contributed \$14,855,938 to the plan for the fiscal year ended June 30, 2020.

*State* – 10.328 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year.

As a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046.

The state's base contribution to the DB Program is calculated based on creditable compensation from two fiscal years prior. The state rate increased to 5.811 percent on July 1, 2019, to continue paying down the unfunded liabilities associated with the benefits structure that was in place in 1990 prior to certain enhancements in benefits and reductions in contributions. Additionally, the enactment of SB 90 will result in future supplemental contributions to be made by the state to pay down its portion of the unfunded actuarial obligation of the DB Program in fiscal years 2019–20 through 2022–23. The CalSTRS state contribution rates effective for fiscal year 2018-19 and beyond are summarized in the table below.

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding</u> <sup>(1)</sup>	<u>Total State Appropriation to DB Program</u>
July 01, 2019	2.017%	5.811%	2.50%	10.328% <sup>(3)</sup>
July 01, 2020	2.017%	5.811% <sup>(2)</sup>	2.50%	10.328% <sup>(3)</sup>
July 01, 2020 to June 30, 2046	2.017%	(4)	2.50%	(4)
July 01, 2046 and thereafter	2.017%	(5)	2.50%	(5)

(1) This rate does not include the \$72 million reduction in accordance with Education Code Section 22954.

(2) In May 2020, the CalSTRS Board exercised its limited authority to increase the state contribution rate by 0.5% of the creditable compensation effective July 1, 2020. However, pursuant to AB 84, the state suspended the board's rate-setting authority for state contributions for fiscal year 2020–21, thereby negating the board's rate increase of 0.5%.

(3) This rate does not include the \$2.2 billion supplemental state contribution on behalf of employers pursuant to SB 90.

(4) The CalSTRS Board has limited authority to adjust state contribution rates annually through June 30, 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure would be reduced to 0 percent.

(5) From July 1, 2046, and thereafter, the rates in effect prior to July 1, 2014, are reinstated, if necessary, to address any remaining 1990 unfunded actuarial obligation.

(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

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

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$	155,098,000
State's proportionate share of the net pension liability associated with the District		<u>84,617,000</u>
Total	\$	<u><u>239,715,000</u></u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2019, the District's proportion was 0.172 percent, which was an increase of 0.012 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$34,914,445 and revenue of \$14,247,141 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 392,000	\$ 4,370,000
Changes of assumptions	19,616,000	-
Net differences between projected and actual earnings on investments	-	5,974,000
Changes in proportion and differences between District contributions and proportionate share of contributions	10,541,000	8,977,000
Contributions made subsequent to measurement date	<u>14,855,938</u>	<u>-</u>
Total	<u><u>\$ 45,404,938</u></u>	<u><u>\$ 19,321,000</u></u>

(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

\$14,855,938 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>		
2021	\$	3,143,983
2022	\$	(997,017)
2023	\$	3,314,983
2024	\$	4,242,317
2025	\$	575,567
2026	\$	948,167

Differences between expected and actual experience, changes in assumptions, and changes in proportion and differences between District contributions and proportionate share of contributions, are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of the June 30, 2019 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2018
Experience Study	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the CalSTRS board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary reviews the return assumption for reasonableness based on the most current capital market assumptions.

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(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

Best estimates of 20-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	4.8%
Fixed Income	12	1.3
Real Estate	13	3.6
Private Equity	13	6.3
Absolute Return / Risk Mitigating Strategies	9	1.8
Inflation Sensitive	4	3.3
Cash / Liquidity	2	(0.4)

\* 20-year geometric average

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease <u>(6.10%)</u>	Current Discount Rate <u>(7.10%)</u>	1% Increase <u>(8.10%)</u>
District's proportionate share of the net pension liability	<u>\$ 230,953,000</u>	<u>\$ 155,098,000</u>	<u>\$ 92,199,000</u>

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

(Continued)

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

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

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

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

<https://www.calpers.ca.gov/docs/forms-publications/cafr-2019.pdf>.

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

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

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

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2020 were as follows:

*Members* - The member contribution rate was 7.0 percent of applicable member earnings for fiscal year 2019-20.

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

The District contributed \$6,898,202 to the plan for the fiscal year ended June 30, 2020.

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(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

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

At June 30, 2020, the District reported a liability of \$73,398,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The District’s proportion of the net pension liability was based on the District’s contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2019, the District’s proportion was 0.252 percent, which was a decrease of 0.010 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$15,324,931. At June 30, 2020, and , the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 5,332,000	\$ -
Changes of assumptions	3,494,000	-
Net differences between projected and actual earnings on investments	-	681,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	1,940,000
Contributions made subsequent to measurement date	<u>6,898,202</u>	<u>-</u>
Total	<u>\$ 15,724,202</u>	<u>\$ 2,621,000</u>

\$6,898,202 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>		
2021	\$	5,500,667
2022	\$	363,667
2023	\$	147,666
2024	\$	193,000

Differences between expected and actual experience, changes in assumptions, and changes in proportion and differences between District contributions and proportionate share of contributions, are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of the June 30, 2019 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018 used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2018
Experience Study	June 30, 1997 through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.50%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.50% thereafter

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

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

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

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return Years 1 - 10<sup>(1)</sup></u>	<u>Expected Real Rate of Return Years 11+<sup>(2)</sup></u>
Global Equity	50%	4.80%	5.98%
Fixed Income	28	1.00	2.62
Inflation Assets	-	0.77	1.81
Private Equity	8	6.30	7.23
Real Estate Assets	13	3.75	4.93
Liquidity	1	-	(0.92)

\* 10-year geometric average

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

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

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

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

(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected cash flows of the Plan. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan’s asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:  
The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15 percent) or 1-percentage-point higher (8.15 percent) than the current rate:

	1% Decrease <u>(6.15%)</u>	Current Discount <u>Rate (7.15%)</u>	1% Increase <u>(8.15%)</u>
District’s proportionate share of the net pension liability	\$ <u>105,798,000</u>	\$ <u>73,398,000</u>	\$ <u>46,520,000</u>

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

**NOTE 10 - JOINT POWERS AGREEMENTS**

The District is a member with other Districts in three joint powers authorities (JPAs), including Northern California ReLIEF (NCRLF), Protected Insurance Program for Schools Joint Powers Authority (PIPS), and Santa Clara County Schools’ Insurance Group (SCCSIG). The District pays annual premiums to the JPAs to provide property and liability and/or workers’ compensation coverage (Note 6). Settled claims resulting from risks have not exceeded insurance coverage in any of the past three years, and there were no significant reductions in insurance coverage from coverage in the prior year. The relationship between the District and the JPAs are such that the JPAs are not component units of the District for financial reporting purposes

The following is a summary of audited financial information for NCRLF and PIPS at June 30, 2019 (the latest information available), and SCCSIG at June 30, 2020:

	<u>NCRLF</u>	<u>PIPS</u>	<u>SCCSIG</u>
Total assets	\$ 64,919,272	\$ 133,474,239	\$ 27,841,259
Total deferred outflows	\$ -	\$ -	\$ 198,991
Total liabilities	\$ 48,689,344	\$ 99,564,236	\$ 7,913,788
Total deferred inflows	\$ -	\$ -	\$ 67,496
Total net position	\$ 16,229,928	\$ 33,910,003	\$ 20,058,966
Total revenues	\$ 71,237,367	\$ 311,931,685	\$ 38,742,836
Total expenditures	\$ 72,137,076	\$ 306,044,422	\$ 35,701,380
Change in net position	\$ (899,709)	\$ 5,887,263	\$ 3,041,456

(Continued)



**NOTE 11 - COMMITMENTS AND CONTINGENCIES**

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

The District has received federal and state funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in expenditure disallowances under terms of the grants, it is management's opinion that any required reimbursements or future revenue offsets subsequently determined will not have a material effect on the District's financial statements or results of operations.

At June 30, 2020 the District had commitments for capital construction projects totaling approximately \$827,000.

**NOTE 12 – COVID-19 PANDEMIC IMPACT**

In December 2019, a novel strain of coronavirus surfaced (COVID-19) and spread around the world, with resulting business and social disruption. In response to the pandemic and in compliance with various state and local ordinances, the District closed physical campuses and transitioned to a distance learning model. On March 13, 2020, the Governor of California issued Executive Order N-26 – 20, guaranteeing state funding to support the continued payment of salaries and benefits to all employees through June 30, 2020.

The operations and business results of the District could be adversely affected in the future including a reduction in the level of funding and impact to the timing of cash flows. In addition, significant estimates may be adversely impacted by national, state and local events designed to contain the coronavirus. Debt ratings for outstanding issuances may further be impacted. For the 2021 school year, the District is offering instruction in formats consistent with local health guidelines. Throughout the pandemic the District has put into practice a number of safety measures to protect students and employees and will continue to revise them as needed.

**NOTE 13 - SUBSEQUENT EVENT**

On November 19, 2020, the District issued 2020 General Obligation Refunding Bonds with a total principal value of \$49,535,000. Proceeds from the 2020 GO Refunding Bonds were used to refund certain maturities of the District's Election of 2012 Series A, Election of 2012 Series B, 2013 GO Refunding, Series A, and 2013 GO Refunding Series B bonds. The 2020 GO Refunding Bonds bear interest rates ranging from 0.249 to 2.594 percent and mature through August 1, 2038.

**REQUIRED SUPPLEMENTARY INFORMATION**

CUPERTINO UNION SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2020

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 29,250,399	\$ 27,649,680	\$ 24,790,930	\$ (2,858,750)
Local sources	<u>116,381,719</u>	<u>117,385,764</u>	<u>127,112,315</u>	<u>9,726,551</u>
Total LCFF	<u>145,632,118</u>	<u>145,035,444</u>	<u>151,903,245</u>	<u>6,867,801</u>
Federal sources	3,914,701	4,227,169	4,046,305	(180,864)
Other state sources	12,861,940	18,156,105	18,280,451	124,346
Other local sources	<u>25,024,994</u>	<u>25,821,731</u>	<u>18,042,042</u>	<u>(7,779,689)</u>
Total revenues	<u>187,433,753</u>	<u>193,240,449</u>	<u>192,272,043</u>	<u>(968,406)</u>
Expenditures:				
Current:				
Certificated salaries	90,305,992	89,674,572	89,903,589	(229,017)
Classified salaries	35,422,537	33,634,765	34,713,722	(1,078,957)
Employee benefits	47,115,569	51,176,568	51,241,830	(65,262)
Books and supplies	7,305,796	7,243,912	6,790,662	453,250
Contract services and operating expenditures	14,901,154	15,590,166	12,938,753	2,651,413
Capital outlay	172,012	1,434,593	1,392,336	42,257
Debt service:				
Principal retirement	<u>-</u>	<u>-</u>	<u>61,881</u>	<u>(61,881)</u>
Total expenditures	<u>195,223,060</u>	<u>198,754,577</u>	<u>197,042,773</u>	<u>1,711,804</u>
Deficiency of revenues under expenditures	<u>(7,789,307)</u>	<u>(5,514,128)</u>	<u>(4,770,730)</u>	<u>743,398</u>
Other financing sources (uses):				
Transfers in	2,601,555	2,710,666	2,573,589	(137,077)
Transfers out	<u>-</u>	<u>-</u>	<u>(601)</u>	<u>(601)</u>
Total other financing sources (uses)	<u>2,601,555</u>	<u>2,710,666</u>	<u>2,572,988</u>	<u>(137,678)</u>
Net change in fund balance	(5,187,752)	(2,803,462)	(2,197,742)	605,720
Fund balance, July 1, 2019	<u>31,435,987</u>	<u>31,435,987</u>	<u>31,435,987</u>	<u>-</u>
Fund balance, June 30, 2020	<u>\$ 26,248,235</u>	<u>\$ 28,632,525</u>	<u>\$ 29,238,245</u>	<u>\$ 605,720</u>

See accompanying note to required supplementary information.

CUPERTINO UNION SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
For the Year Ended June 30, 2020

	State Teachers' Retirement Plan Last 10 Fiscal Years					
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
District's proportion of the net pension	0.174%	0.172%	0.178%	0.163%	0.160%	0.172%
District's proportionate share of the net net pension liability	\$ 101,611,807	\$ 115,568,247	\$ 144,272,368	\$ 150,636,953	\$ 146,860,629	\$ 155,098,000
State's proportionate share of the net pension liability associated with the District	<u>61,357,596</u>	<u>61,122,863</u>	<u>82,131,686</u>	<u>89,115,549</u>	<u>84,084,579</u>	<u>84,617,000</u>
Total net pension liability	<u>\$ 162,969,403</u>	<u>\$ 176,691,110</u>	<u>\$ 226,404,054</u>	<u>\$ 239,752,502</u>	<u>\$ 230,945,208</u>	<u>\$ 239,715,000</u>
District's covered payroll	\$ 76,856,296	\$ 82,554,422	\$ 88,417,903	\$ 86,675,128	\$ 89,140,788	\$ 89,116,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	132.21%	139.99%	162.29%	173.79%	164.75%	174.04%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%	71.00%	72.56%

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

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

CUPERTINO UNION SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
 SHARE OF THE NET PENSION LIABILITY  
 For the Year Ended June 30, 2020

	Public Employer's Retirement Fund B Last 10 Fiscal Years					
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
District's proportion of the net pension	0.264%	0.267%	0.267%	0.264%	0.262%	0.252%
District's proportionate share of the net pension liability	\$ 29,994,065	\$ 39,353,507	\$ 52,749,736	\$ 62,939,790	\$ 69,725,730	\$ 73,398,000
District's covered payroll	\$ 27,680,980	\$ 30,455,001	\$ 32,076,564	\$ 33,676,227	\$ 34,519,708	\$ 34,949,000
District's proportionate share of the net pension liability as a percentage of its covered payroll	108.36%	129.22%	164.45%	186.90%	201.99%	210.01%
Plan fiduciary net position as a percentage of the total pension liability	83.00%	79.00%	74.00%	72.00%	71.00%	70.05%

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

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

CUPERTINO UNION SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
 For the Year Ended June 30, 2020

State Teacher's Retirement Plan  
 Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contribution	\$ 7,336,518	\$ 9,448,353	\$ 10,860,869	\$ 12,811,249	\$ 14,487,628	\$ 14,855,938
Contributions in relation to the contractually required contribution	<u>(7,336,518)</u>	<u>(9,448,353)</u>	<u>(10,860,869)</u>	<u>(12,811,249)</u>	<u>(14,487,628)</u>	<u>(14,855,938)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 82,554,422	\$ 88,417,903	\$ 86,675,128	\$ 89,140,788	\$ 89,116,000	\$ 81,941,000
Contributions as a percentage of covered payroll	88.88%	10.69%	12.53%	14.37%	16.26%	17.10% *

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

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

CUPERTINO UNION SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
 For the Year Ended June 30, 2020

	Public Employer's Retirement Fund B Last 10 Fiscal Years					
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contribution	\$ 3,492,854	\$ 3,807,253	\$ 4,679,943	\$ 5,361,054	\$ 6,326,946	\$ 6,898,202
Contributions in relation to the contractually required contribution	<u>(3,492,854)</u>	<u>(3,807,253)</u>	<u>(4,679,943)</u>	<u>(5,361,054)</u>	<u>(6,326,946)</u>	<u>(6,898,202)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 30,455,001	\$ 32,076,564	\$ 33,676,227	\$ 34,519,708	\$ 34,949,000	\$ 34,979,000
Contributions as a percentage of covered payroll	11.47%	11.87%	13.90%	15.53%	18.10%	19.72%

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

CUPERTINO UNION SCHOOL DISTRICT  
 NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
 For the Year Ended June 30, 2020

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**NOTE 1 - PURPOSE OF SCHEDULES**

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

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

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

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

Changes of Assumptions: The discount rates used for the Public Employer's Retirement Fund B (PERF B) was 7.50, 7.65, 7.65, 7.15, 7.15 and 7.15 percent in the June 30, 2013, 2014, 2015, 2016, 2017 and 2018 actuarial reports, respectively.

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

<u>Assumptions</u>	<u>Measurement period</u>				
	As of June 30 <u>2019</u>	As of June 30, <u>2018</u>	As of June 30, <u>2017</u>	As of June 30, <u>2016</u>	As of June 30, <u>2015</u>
Consumer price inflation	2.75%	2.75%	2.75%	3.00%	3.00%
Investment rate of return	7.10	7.10	7.10	7.60	7.60
Wage growth	3.50	3.50	3.50	3.75	3.75



**SUPPLEMENTARY INFORMATION**

CUPERTINO UNION SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 ALL NON-MAJOR FUNDS  
 June 30, 2020

	<u>Cafeteria Fund</u>	<u>Capital Facilities Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments:			
Cash in County Treasury	\$ 181,153	\$ 1,604,221	\$ 1,785,374
Cash in revolving fund	1,959	-	1,959
Cash on hand and in banks	164,357	-	164,357
Receivables	451,502	6,343	457,845
Due from other funds	971	-	971
Stores inventory	<u>160,113</u>	<u>-</u>	<u>160,113</u>
Total assets	<u>960,055</u>	<u>1,610,564</u>	<u>2,570,619</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	10,340	2,971	13,311
Due to other funds	<u>22,334</u>	<u>473</u>	<u>22,807</u>
Total liabilities	<u>32,674</u>	<u>3,444</u>	<u>36,118</u>
Fund balances:			
Nonspendable	162,072	-	162,072
Restricted	<u>765,309</u>	<u>1,607,120</u>	<u>2,372,429</u>
Total fund balance	<u>927,381</u>	<u>1,607,120</u>	<u>2,534,501</u>
Total liabilities and fund balances	<u>\$ 960,055</u>	<u>\$ 1,610,564</u>	<u>\$ 2,570,619</u>

CUPERTINO UNION SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES  
 ALL NON-MAJOR FUNDS  
 For the Year Ended June 30, 2020

	<u>Cafeteria Fund</u>	<u>Capital Facilities Fund</u>	<u>Total</u>
Revenues:			
Federal sources	\$ 1,041,272	\$ -	\$ 1,041,272
Other state sources	76,011	-	76,011
Other local sources	<u>2,708,354</u>	<u>926,427</u>	<u>3,634,781</u>
Total revenues	<u>3,825,637</u>	<u>926,427</u>	<u>4,752,064</u>
Expenditures:			
Current:			
Classified salaries	1,672,105	10,284	1,682,389
Employee benefits	567,877	1,454	569,331
Books and supplies	1,289,950	4,274	1,294,224
Contract services and operating expenditures	64,364	356,885	421,249
Capital Outlay	<u>10,893</u>	<u>822,266</u>	<u>833,159</u>
Total expenditures	<u>3,605,189</u>	<u>1,195,163</u>	<u>4,800,352</u>
Excess (deficiency) of revenues over (under) expenditures	<u>220,448</u>	<u>(268,736)</u>	<u>(48,288)</u>
Other financing sources (uses):			
Transfers in	601	-	601
Transfers out	<u>(120,080)</u>	<u>-</u>	<u>(120,080)</u>
Total other financing sources (uses)	<u>(119,479)</u>	<u>-</u>	<u>(119,479)</u>
Change in fund balances	100,969	(268,736)	(167,767)
Fund balance, July 1, 2019	<u>826,412</u>	<u>1,875,856</u>	<u>2,702,268</u>
Fund balance, June 30, 2020	<u>\$ 927,381</u>	<u>\$ 1,607,120</u>	<u>\$ 2,534,501</u>

CUPERTINO UNION SCHOOL DISTRICT  
ORGANIZATION  
June 30, 2020

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The Cupertino Union School District was organized in 1916 under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades K - 8 as mandated by the State and Federal agencies. The District operates twenty elementary and five middle schools. There were no boundary changes during the year.

BOARD OF EDUCATION

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Phyllis Vogel	President	2020
Lori Cunningham	Vice President	2022
Jerry Liu	Clerk	2022
Satheesh Madhathil	Member	2022
Sylvia Leong	Member	2020

ADMINISTRATION

Dr. Craig Baker\*  
Superintendent

Jeff Bowman  
Chief Operations Officer

Stacy McAfee-Yao  
Associate Superintendent, Human Resources

Allison Liner  
Associate Superintendent, Education Services

Leslie Mains  
Chief Information and Community Engagement Officer

Dorothy Reconose  
Director, Fiscal Services

\* Mr. Craig Baker retired from the District effective June 30, 2020. Ms. Stacy McAfee-Yao was hired as Interim Superintendent beginning July 1, 2020.

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CUPERTINO UNION SCHOOL DISTRICT  
 SCHEDULE OF AVERAGE DAILY ATTENDANCE  
 For the Year Ended June 30, 2020

	Second Period <u>Report</u>	Annual <u>Report</u>
Certificate #:	<u>EB3D3AA5</u>	<u>14CF9DDB</u>
Elementary:		
Transitional Kindergarten through Third	7,049	7,049
Fourth through Sixth	5,480	5,480
Seventh and Eighth	<u>3,764</u>	<u>3,764</u>
Total Elementary	<u>16,293</u>	<u>16,293</u>
Extended Year Special Education		
Transitional Kindergarten through Third	8	8
Fourth through Sixth	4	4
Seventh and Eighth	<u>1</u>	<u>1</u>
Total Extended Year Special Education	<u>13</u>	<u>13</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional Kindergarten through Third	2	2
Fourth through Sixth	5	5
Seventh and Eighth	<u>7</u>	<u>7</u>
Total Special Education, Nonpublic, Nonsectarian Schools	<u>14</u>	<u>14</u>
District Totals	<u>16,320</u>	<u>16,320</u>

See accompanying notes to supplementary information.

CUPERTINO UNION SCHOOL DISTRICT  
 SCHEDULE OF INSTRUCTIONAL TIME  
 For the Year Ended June 30, 2020

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<u>Grade Level</u>	<u>Statutory Minutes Requirements</u>	<u>2019-2020 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	55,192	180	In compliance
Grade 1	50,400	51,592	180	In compliance
Grade 2	50,400	51,592	180	In compliance
Grade 3	50,400	51,592	180	In compliance
Grade 4	54,000	55,472	180	In compliance
Grade 5	54,000	55,472	180	In compliance
Grade 6	54,000	55,885	180	In compliance
Grade 7	54,000	55,885	180	In compliance
Grade 8	54,000	55,885	180	In compliance

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See accompanying notes to supplementary information.

CUPERTINO UNION SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS  
For the Year Ended June 30, 2020

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Education - Passed through</u>			
<u>California Department of Education</u>			
	Special Education Cluster:		
84.027	Special Ed: IDEA Basic Local Assistance	13379	\$ 2,857,852
84.027	Special Ed: Local Assistance Private School	10115	35,443
84173	Special Ed: Peschool Grants	13430	75,217
84.173A	Special Ed: IDEA Preschool Staff Development	13431	<u>496</u>
	Subtotal Special Education Cluster		<u>2,969,008</u>
	Title III Programs:		
84.365	ESEA: Title III, English Learner Student Program	14346	347,521
84.365	ESEA: Title III, Immigrant Education Program	15146	<u>122,349</u>
	Subtotal Title III Programs		<u>469,870</u>
84.010	ESEA: Title I, Part A, Basic Grants Low Income	14329	368,843
84.424	ESEA: Student Support and Academic Enrichment Program	15396	32,343
84.367	ESEA: Total II, Part A, Improving Teacher Quality Local Grants	14341	<u>206,241</u>
	Total U.S. Department of Education		<u>4,046,305</u>
<u>U.S. Department of Agriculture - Passed through</u>			
<u>California Department of Education</u>			
	Child Nutrition Cluster:		
10.555	National School Lunch Program	13391	<u>1,041,272</u>
	Total Federal Programs		<u>\$ 5,087,577</u>

See accompanying notes to supplementary information.

CUPERTINO UNION SCHOOL DISTRICT  
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT  
WITH AUDITED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2020

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

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See accompanying notes to supplementary information.



CUPERTINO UNION SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
For the Year Ended June 30, 2020  
(UNAUDITED)

	(Budget) <u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Revenues and other financing sources	\$ 178,210,117	\$ 194,845,632	\$ 204,885,953	\$ 190,595,055
Expenditures	186,154,338	197,042,773	205,422,085	191,830,871
Other uses and transfers out	<u>-</u>	<u>601</u>	<u>1,774</u>	<u>2,292</u>
Total outgo	<u>186,154,338</u>	<u>197,043,374</u>	<u>205,423,859</u>	<u>191,833,163</u>
Change in fund balance	<u>\$ (7,944,221)</u>	<u>\$ (2,197,742)</u>	<u>\$ (537,906)</u>	<u>\$ (1,238,108)</u>
Ending fund balance	<u>\$ 21,294,024</u>	<u>\$ 29,238,245</u>	<u>\$ 31,435,987</u>	<u>\$ 31,973,893</u>
Available reserves	<u>\$ 11,156,805</u>	<u>\$ 11,815,397</u>	<u>\$ 12,313,535</u>	<u>\$ 11,509,990</u>
Designated for economic uncertainties	<u>\$ 11,156,805</u>	<u>\$ 11,815,397</u>	<u>\$ 12,313,535</u>	<u>\$ 11,509,990</u>
Undesignated fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Available reserves as percentages of total outgo	<u>5.99%</u>	<u>6.00%</u>	<u>5.99%</u>	<u>6.00%</u>
Total long-term liabilities	<u>\$ 520,153,270</u>	<u>\$ 534,355,052</u>	<u>\$ 519,951,807</u>	<u>\$ 514,517,341</u>
Average daily attendance at P-2	<u>16.320</u>	<u>16.320</u>	<u>16.958</u>	<u>17.616</u>

The fund balance in the General Fund has decreased by \$3,973,756 over the past three years. The District projects a decrease of \$7,944,221 for the fiscal year ending June 30, 2020. For a district this size, the state recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses. For the year ended June 30, 2020, the District has met this requirement.

The District has incurred operating deficits in each of the past three years, and anticipates an operating deficit during the 2020-21 fiscal year.

Total long-term liabilities have increased by \$19,837,711.

Average daily attendance has increased by 1,296 over the past two years. No changes in ADA are anticipated during the year ending 2020-21.

See accompanying notes to supplementary information.

CUPERTINO UNION SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOLS  
For the Year Ended June 30, 2020

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The District does not sponsor any charter schools.

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See accompanying notes to supplementary information.

#### **NOTE 1 - PURPOSE OF SCHEDULES**

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

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

The District submitted a COVID-19 School Closure Certification with the State Superintendent of Public Instruction (SSPI) in connection with the effected school days impacted by COVID-19. The Certification was submitted to the SSPI on June 25, 2020.

Schedule of Expenditure of Federal Awards: The Schedule of Expenditure of Federal Awards includes the federal award activity of Cupertino Union School District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate allowed in the Uniform Guidance.

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

Schedule of Financial Trends and Analysis – Unaudited: This schedule provides trend information on fund balances, revenues, expenditures and average daily attendance, as required by the State Controller's Office.

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

#### **NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM**

Education Code Section 14503 requires certain disclosure in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2020, the District did not offer an Early Retirement Incentive Program.

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

Board of Trustees  
Cupertino Union School District  
Cupertino, California

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

We have audited Cupertino Union School District's compliance with the types of compliance requirements described in the State of California's *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (the "Audit Guide") applicable to the state laws and regulations listed below for the year ended June 30, 2020.

<u>Description</u>	<u>Procedures Performed</u>
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	No, see below
Attendance, for charter schools	No, see below
Mode of Instruction, for charter schools	No, see below
Nonclassroom-Based Instruction/Independent Study, for charter schools	No, see below

(Continued)

<u>Description</u>	<u>Procedures Performed</u>
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	No, see below
Annual Instructional Minutes - Classroom-Based, for charter schools	No, see below
Charter Schools – Charter School Facility Grant Program	No, see below

The District did not offer Independent Study or Continuation Education programs; therefore, we did not perform any procedures related to Independent Study or Continuation Education.

The District did not offer an Early Retirement Incentive in the current year; therefore, we did not perform any procedures related to this program.

The District does not operate any Juvenile Court Schools or Middle or Early College High Schools; therefore, we did not perform any procedures related to these programs.

The District did not report any attendance hours for the Apprenticeship: Related and Supplemental Instruction program; therefore, we did not perform any procedures related to this program.

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

The District does not receive any funding for After/Before School Programs; therefore, we did not perform any procedures related to the After/Before School Education and Safety Program.

The District did not offer an Independent Study – Course Based program; therefore, we did not perform any procedures for Independent Study – Course Based.

The District does not have any charter schools reported in its annual audit report which are subject to state compliance testing or evaluation; therefore, we did not perform any procedures related to charter schools.

### ***Management's Responsibility***

Management is responsible for compliance with the requirements of state laws and regulations, listed above.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on Cupertino Union School District's compliance with state laws and regulations as listed above based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (Audit Guide). Those standards and the Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on Cupertino Union School District's compliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Cupertino Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with state laws and regulations. However, our audit does not provide a legal determination of Cupertino Union School District's compliance.

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(Continued)

***Opinion with State Laws and Regulations***

In our opinion, Cupertino Union School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the state laws and regulations referred to above for the year ended June 30, 2020

***Purpose of this Report***

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2019-20 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe LLP". The letters are cursive and somewhat stylized.

Crowe LLP

Sacramento, California  
February 4, 2021

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

Board of Trustees  
Cupertino Union School District  
Cupertino, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Cupertino Union School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Cupertino Union School District's basic financial statements, and have issued our report thereon dated February 4, 2021.

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

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

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

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

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(Continued)

## Compliance and Other Matters

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

## Purpose of this Report

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

  
Crowe LLP

Sacramento, California  
February 4, 2021



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

Board of Trustees  
Cupertino Union School District  
Cupertino, California

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

We have audited Cupertino Union School District's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Cupertino Union School District's major federal programs for the year ended June 30, 2020. Cupertino Union School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of audit 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 Cupertino Union School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cupertino Union School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, Cupertino Union School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

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

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

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

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

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

  
Crowe LLP

Sacramento, California  
February 4, 2021

## **FINDINGS AND RECOMMENDATIONS**

CUPERTINO UNION SCHOOL DISTRICT  
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2020

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**FINANCIAL STATEMENTS**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes       X       No

Significant deficiency(ies) identified not considered to be material weakness(es)? \_\_\_\_\_ Yes       X       None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes       X       No

**FEDERAL AWARDS**

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes       X       No

Significant deficiency(ies) identified not considered to be material weakness(es)? \_\_\_\_\_ Yes       X       None reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555	Child Nutrition Cluster
84.027, 84.173, 84.173A	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_   X   Yes \_\_\_\_\_ No

**STATE AWARDS**

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

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(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2020

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SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

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(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2020

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SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2020

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SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR  
FINDINGS AND RECOMMENDATIONS**



CUPERTINO UNION SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
Year Ended June 30, 2020

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No matters were reported.