CUPERTINO UNION SCHOOL DISTRICT

FINANCIAL STATEMENTS
June 30, 2023

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

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CUPERTINO UNION SCHOOL DISTRICT
FINANCIAL STATEMENTS
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Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Cupertino Union School District
Cupertino, California

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2023, 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.

In our opinion, the accompanying 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 to 12 and 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 48 to 52 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

(Continued)

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2024 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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

Crowe LLP

Sacramento, California
February 1, 2024

CUPERTINO UNION SCHOOL DISTRICT

Management's Discussion and Analysis

DISTRICT PROFILE

Board of Education District Priorities:

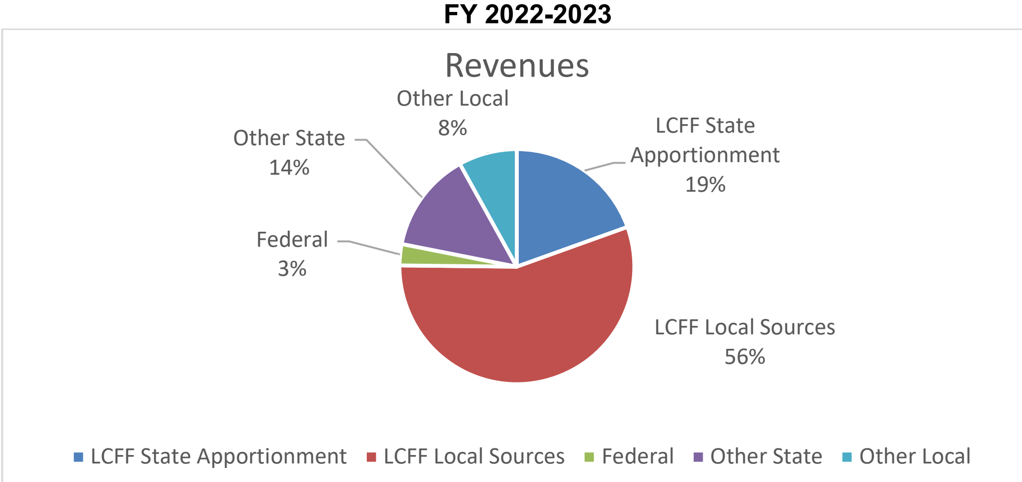
1. Academic Excellence
   Support each child in demonstrating the skills, competencies and characteristics embedded in the District's Strategic Plan and the CUSD Portrait of a Learner. Provide the resources to support students' physical fitness by supporting the Whole Child and fostering engaging, positive, safe learning environments.
2. Stakeholder Engagement and Involvement
   Actively engage all Stakeholders (staff, students, families, community) in supporting the implementation of the CUSD Strategic Plan and bringing our plan to life across our community.
3. District Sustainability
   Develop a long-term fiscal plan that sustains the financial needs of the District to support staff and students and provide resources throughout declining enrollment.
4. Sense of Belonging
   Create a sense of belonging in the workplace so that every employee feels supported to actively engage in their work, fully contribute, and confidently practice well-being activities that promote connectedness and work-life balance while being validated for their work and valued as a unique individual.

Cupertino Union School District was established in 1916. The District operates eighteen elementary schools, and five middle schools. The District serves about 14,000 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 (with one exception in FY2021-2022). 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 2022-2023, the District met its LCFF target entitlement. The composition of the District's sources of General fund revenue is illustrated in Chart - 1:

Chart - 1
General Fund Revenue Sources
FY 2022-2023



2023 Results of Operation

As of June 30, 2023, the District's general fund recorded total revenue and transfers in of $236.4 million and total expenditures of $210.8 million, resulting in an ending fund balance of $71.4 million. Of this amount, $6.32 million is the required three percent statutory reserves and $14.747 million is the Board's additional reserve for future downturn. Other components of the ending fund balance include $2.038 million non-spendable, $23.562 million restricted for categorical programs and $24.796 million for negotiated salary increases, school/security fencing project, and various school and program carryovers.

The total general fund revenues of $233.7 million are from the following sources: 75% local control funding formula (56% property tax and 19% state aid), 3% federal programs, 14% state programs, 8% local revenue (interest, rental and fees).

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.

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 plus deferred outflows of resources less liabilities and deferred inflows of resources - 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 fiduciary, for assets which belong to others. This fund type includes the private purpose trust fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes, and by those to whom the assets belong. All 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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

As of June 30, 2023, the District's combined net position increased $49.0 million from prior year resulting in an ending amount totaling negative $103.7 million.

	Governmental Activities (in millions)		Percent Changes
	2022	2023	
Current and other assets	$ 111.4	$ 128.7	15.5%
Capital assets	216.4	204.2	-5.6%
Total assets	327.8	332.9	1.6%
Deferred outflows of resources related to pensions	38.7	50.1	29.5%
Deferred losses on debt refunding	10.5	9.6	-8.6%
Total deferred outflows of resources	49.2	59.7	21.3%
Current liabilities	25.0	18.6	-25.6%
Long-term debt	390.2	429.0	9.9%
Total liabilities	415.2	447.6	7.8%
Deferred inflows of resources related to pensions	108.0	44.3	-59.0%
Deferred inflows of resources related to leases	6.6	4.4	-33.3%
Total deferred inflows of resources	114.6	48.7	-57.5%
Net investment in capital assets	(43.7)	(43.0)	-1.6%
Restricted	43.9	60.3	37.4%
Unrestricted	(152.9)	(121.0)	-20.9%
Total net position	$ (152.7)	$ (103.7)	-32.1%

The changes in the District's financial position include the following: acquisition of capital assets ($6.7), depreciation and amortization of capital assets ($15.2), repayment of principal on long-term debt liabilities ($14.0), Accreted interest ($312,159), Amortized debt with interest over the life of the debt ($1.7), unmatured interest on long-term liabilities ($345,833), pension costs are recognized when employer contributions are made and are recognized on the accrual basis ($16.2), internal service funds ($541,821), compensated absences ($722,443), and deferred outflows of resources ($889,643). For more information on these items, see Note 5 in the financial statements which follow this section, for additional details regarding these changes.

Changes in Net Position

	Governmental Activities (in millions)		Percent Changes
	2022	2023	
Revenues			
Program revenues			
Charges for services	$ 1.8	$ 1.2	(33.3%)
Operating grants and contributions	34.7	47.9	38.0%
Capital grants	4.7	1.9	(59.6%)
General revenues			
Property taxes	137.3	160.7	17.0%
Federal and State aid	52.2	50.2	(3.8%)
Interest and investment earnings	(0.8)	1.8	325.0%
Miscellaneous	4.7	6.2	31.9%
Total revenues	234.6	269.9	15.0%
Expenses			
Instruction	126.2	137.0	8.6%
Instruction related activities	20.9	23.0	10.0%
Pupil services	15.1	18.3	21.2%
General administration	14.6	15.7	7.5%
Plant services	19.9	20.4	2.5%
Ancillary and community services	0.2	0.3	50.0%
Interest on long-term debt	6.1	6.2	1.6%
Total expenses	203.0	220.9	8.8%
Change in net position	$ 31.6	$ 48.9	55.1%

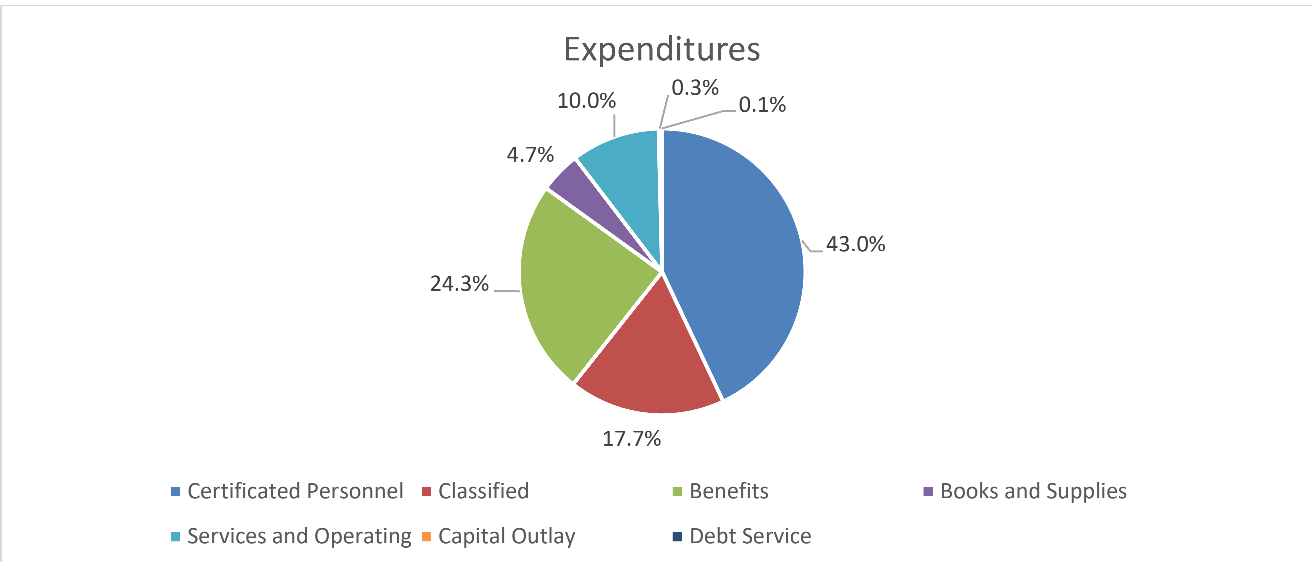
The total cost of all programs and services increased $17.9 million to $220.9 million. Revenues increased to $269.9 million which primarily consisted of increases in property taxes, federal and state aid sources.

Total revenues exceeded total expenses by $48.9 million, which increased net position to a negative $103.7 million as of June 30, 2023.

Governmental Activities

Charts 2 and 3 below illustrate the composition of the District's general fund expenditures, by object code. As is common with other school districts, the majority of expenditures are for personnel salaries and the related benefits (approximately 85%, district-wide).

Chart - 2
General Fund Expenditures by Object
FY 2022-2023



General Fund Budgetary Highlights

The original adopted budget projected an ending fund balance of $53.3 million The final budget projected an ending fund balance of $51.6 million. The actual ending fund balance for the General Fund as of June 30, 2023 is $71.5 million, with $48.4 million restricted or assigned for school/program carryover and other assignments.

The overall difference between the actual ending fund balance and final budget was a favorable variance of $19.9 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2023 the District had $204.2 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 $12.2 million or 5.6% over 2021-2022, which was mostly due to continued depreciation of existing assets, offset by the purchase of current capital construction projects at various school sites. 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, 2023 and 2022, net of accumulated depreciation:

	Governmental Activities (in millions)		Percent Changes
	2022	2023	
Land	$ 8.7	$ 8.7	0.0%
Site improvements	14.9	13.7	-8.1%
Building and improvements	186.4	179.4	-3.8%
Furniture and equipment	1.3	1.5	15.4%
Lease Assets, net	5.1	0.9	-82.4%
Total capital assets	$ 216.4	$ 204.2	-5.6%

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, 2023, 100% 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.

Long-Term Debt

As of June 30, 2023, the District had a total of $429.5 million in total long-term debt outstanding, of which $261.9 million in general obligation bonds and related accreted interest and unamortized premiums, $165.4 million in net pension liabilities and $2.2 million in other long-term liabilities. This amount represents a net increase of $39.3 million or 10.1% from 2021-2022. The net increase includes a decrease in general obligation bonds and unamortized premiums and compensated absences and an increase in accreted interest and lease and pension liabilities. The following table presents long-term debt for the District at June 30, 2023 and 2022:

	Governmental Activities (in millions)		Percent Changes
	2022	2023	
General Obligation Bonds	$ 264.0	$ 250.6	-5.1%
Accreted interest	2.3	2.6	13.0%
Unamortized premiums on GO Bonds	10.5	8.7	-17.1%
Compensated absences	1.9	1.3	-31.6%
Lease Liabilities	5.4	0.9	-83.3%
Pension liabilities	106.1	165.4	55.9%
Total long-term debt	$ 390.2	$ 429.5	10.1%

Net Pension Liability (NPL)

Per GASB 68, districts are required to recognize the CalSTRS and CalPERS employer costs and obligation for pensions on the financial statements. The CalSTRS state on-behalf pension contribution for the District is calculated to be approximately $8.0 million, which is recorded as the state revenue and the expenditures in the resource code 7690. At year-end, the District has a net pension liability of $165.4 million versus $106.1 million last year, which represents an increase of $59.3 million, or 55.9%.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The State has subsidized Local Education Agencies in pension costs increases that may not be supported in the future. Employers CalSTRS contribution rates remained the same at 19.10%. The pension rate will continue to remain the same in 2023-2024 and into the future. Employer contribution to CalPERS is 26.68% with increases to 27.7% in 2023-2024, and to 28.3% by 2024-2025. 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.

The expansion of Transitional Kindergarten to serve all students by age four by the year 2025-26, as well as the associated costs, will impact the District with a shift from LCFF funding to a Community Funded District (also known as “Basic Aid” District).

In the District’s future, the primary source of income, property tax revenue, will be budgeted based on estimated yields derived from the County Assessor’s most recent projected valuations.

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:

Chris Jew, Chief Business Officer
10301 Vista Drive, Cupertino, CA 95014

Tina Bernal, Director of Fiscal Services
10301 Vista Drive, Cupertino, CA 95014

BASIC FINANCIAL STATEMENTS

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 2)	$ 114,214,967	$ 933,937	$ 115,148,904
Receivables	7,823,883	91,915	7,915,798
Leases receivable	4,388,864	-	4,388,864
Prepaid expenses	1,584,064	34,742	1,618,806
Interfund activities	43,803	(43,803)	-
Stores inventory	654,705	-	654,705
Non-depreciable capital assets (Note 4)	8,737,219	-	8,737,219
Depreciable capital assets, net of accumulated depreciation and amortization (Note 4)	195,484,801	-	195,484,801
Total assets	332,932,306	1,016,791	333,949,097
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions (Notes 8 and 9)	50,069,245	217,945	50,287,190
Deferred loss from refunding of debt	9,601,884	-	9,601,884
Total deferred outflows	59,671,129	217,945	59,889,074
LIABILITIES			
Accounts payable	13,074,090	23,881	13,097,971
Unearned revenue	3,612,411	226,180	3,838,591
Self-insurance claim liability (Note 6)	1,900,000	-	1,900,000
Long-term liabilities (Note 5):			
Due within one year	17,858,048	-	17,858,048
Due after one year	411,110,872	498,000	411,608,872
Total liabilities	447,555,421	748,061	448,303,482
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions (Notes 8 and 9)	44,360,725	47,275	44,408,000
Deferred inflows of resources - leases	4,388,864	-	4,388,864
Total deferred inflows	48,749,589	47,275	48,796,864
NET POSITION			
Net investment in capital assets	(43,017,999)	-	(43,017,999)
Restricted:			
Legally restricted programs	29,076,304	-	29,076,304
Capital projects	5,742,313	-	5,742,313
Debt service	20,507,532	-	20,507,532
Self-insurance	4,965,490	-	4,965,490
Unrestricted	(120,975,215)	439,400	(120,535,815)
Total net position	$ (103,701,575)	$ 439,400	$ (103,262,175)

See accompanying notes to financial statements.

CUPERTINO UNION SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

		Program Revenues			Net (Expense) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Instruction	$137,082,145	$ 1,044,871	$ 33,012,806	$ 1,918,253	$ (101,106,215)	$ -	$ (101,106,215)
Instruction-related services:							
Supervision of instruction	9,263,816	6,297	1,302,556	-	(7,954,963)	-	(7,954,963)
Instructional library, media and technology	2,308,500	37,477	310,891	-	(1,960,132)	-	(1,960,132)
School site administration	11,396,806	432	514,928	-	(10,881,446)	-	(10,881,446)
Pupil services:							
Home-to-school transportation	3,776,576	-	1,274	-	(3,775,302)	-	(3,775,302)
Food services	6,293,789	15,611	8,477,894	-	2,199,716	-	2,199,716
All other pupil services	8,224,972	38,424	1,262,406	-	(6,924,142)	-	(6,924,142)
General administration:							
Centralized data processing	6,052,295	-	1,610,721	-	(4,441,574)	-	(4,441,574)
All other general administration	9,668,331	12,526	824,305	-	(8,831,500)	-	(8,831,500)
Ancillary services	27,028	2,107	13,854	-	(11,067)	-	(11,067)
Plant services	20,376,126	28,945	452,730	-	(19,894,451)	-	(19,894,451)
Community services	290,068	-	101,542	-	(188,526)	-	(188,526)
Interest on long-term liabilities	6,170,247	-	-	-	(6,170,247)	-	(6,170,247)
Total governmental activities	220,930,699	1,186,690	47,885,907	1,918,253	(169,939,849)	-	(169,939,849)
Business-type activities:							
Preschool enterprise fund	1,831,548	2,352,704	9,996	-	-	531,152	531,152
Total governmental and business-type activities	$222,762,247	$ 3,539,394	$ 47,895,903	$ 1,918,253	$ (169,939,849)	$ 531,152	$ (169,408,697)
General revenues:							
Taxes and subventions:							
Taxes levied for general purposes					130,059,643	-	130,059,643
Taxes levied for debt service					22,348,215	-	22,348,215
Taxes levied for other specific purposes					8,282,533	-	8,282,533
Federal and state aid not restricted to specific purposes					50,210,334	-	50,210,334
Interest and investment earnings (loss)					1,835,994	(9,249)	1,826,745
Interagency revenues					31,586	-	31,586
Internal transfers					82,503	(82,503)	-
Miscellaneous					6,123,442	-	6,123,442
Total general revenues and transfers					218,974,250	(91,752)	218,882,498
Change in net position					49,034,401	439,400	49,473,801
Net position, July 1, 2022					(152,735,976)	-	(152,735,976)
Net position, June 30, 2023					$ (103,701,575)	$ 439,400	$ (103,262,175)

See accompanying notes to financial statements.

CUPERTINO UNION SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
ASSETS					
Cash and investments:					
Cash in County Treasury	$ 71,635,332	$ 4,374,715	$ 20,412,381	$ 9,410,963	$ 105,833,391
Cash in revolving fund	75,000	-	-	1,959	76,959
Cash on hand and in banks	-	-	-	12,978	12,978
Receivables	6,146,789	58,352	95,151	1,419,802	7,720,094
Leases receivable	-	4,388,864	-	-	4,388,864
Due from other funds	43,938	-	-	854,098	898,036
Prepaid expenditures	1,582,220	-	-	1,844	1,584,064
Stores inventory	381,396	-	-	273,309	654,705
Total assets	$ 79,864,675	$ 8,821,931	$ 20,507,532	$ 11,974,953	$ 121,169,091
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 5,813,226	$ 209,208	$ -	$ 718,603	$ 6,741,037
Unearned revenue	2,587,118	-	-	-	2,587,118
Due to other funds	80	854,018	-	-	854,098
Total liabilities	8,400,424	1,063,226	-	718,603	10,182,253
Deferred inflows of resources - leases	-	4,388,864	-	-	4,388,864
Fund balances:					
Nonspendable	2,038,616	-	-	277,112	2,315,728
Restricted	23,562,267	3,369,841	20,507,532	10,979,238	58,418,878
Assigned	24,796,145	-	-	-	24,796,145
Unassigned	21,067,223	-	-	-	21,067,223
Total fund balances	71,464,251	3,369,841	20,507,532	11,256,350	106,597,974
Total liabilities, deferred Inflows of resources and fund balances	$ 79,864,675	$ 8,821,931	$ 20,507,532	$ 11,974,953	$ 121,169,091

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, 2023

Total fund balances - Governmental Funds		$ 106,597,974
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 $558,001,664 and the accumulated depreciation and amortization is $353,779,644 (Note 4).		204,222,020
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2023 consisted of (Note 5):		
General Obligation Bonds	$ (250,548,302)	
Accreted interest	(2,644,904)	
Unamortized premiums	(8,735,029)	
Net pension liability (Notes 8 and 9)	(164,904,000)	
Compensated absences	(1,208,272)	
Lease liabilities	(928,413)	(428,968,920)
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.		9,601,884
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	50,069,245	
Deferred inflows of resources relating to pensions	(44,360,725)	5,708,520
Internal service funds activities are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, they are reported in the statement of net position. Net position for internal service funds is:		4,965,490
In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:		(5,828,543)
Total net position - governmental activities		$ (103,701,575)

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, 2023

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:					
Local Control Funding Formula (LCFF):					
State apportionment	$ 45,642,371	$ -	$ -	$ -	$ 45,642,371
Local sources	130,088,656	-	-	-	130,088,656
Total LCFF	175,731,027	-	-	-	175,731,027
Federal sources	6,820,142	-	-	2,054,922	8,875,064
Other state sources	32,243,728	9,583	58,674	8,577,273	40,889,258
Other local sources	18,935,862	3,618,624	22,525,895	1,223,924	46,304,305
Total revenues	233,730,759	3,628,207	22,584,569	11,856,119	271,799,654
Expenditures:					
Current:					
Certificated salaries	90,621,662	-	-	-	90,621,662
Classified salaries	37,291,509	236,680	-	2,276,278	39,804,467
Employee benefits	51,207,435	87,322	-	874,178	52,168,935
Books and supplies	9,806,649	58,191	-	2,987,460	12,852,300
Contract services and operating expenditures	21,076,299	286,102	-	539,437	21,901,838
Capital outlay	631,904	5,835,245	-	437,095	6,904,244
Debt service:					
Principal retirement	208,211	404,457	13,385,000	-	13,997,668
Interest	-	50,265	7,449,963	-	7,500,228
Total expenditures	210,843,669	6,958,262	20,834,963	7,114,448	245,751,342
Excess (deficiency) of revenues over (under) expenditures	22,887,090	(3,330,055)	1,749,606	4,741,671	26,048,312
Other financing sources (uses):					
Transfers in	2,707,447	-	-	-	2,707,447
Transfers out	-	(2,453,509)	-	(171,435)	(2,624,944)
Total other financing sources (uses)	2,707,447	(2,453,509)	-	(171,435)	82,503
Net change in fund balances	25,594,537	(5,783,564)	1,749,606	4,570,236	26,130,815
Fund balances, July 1, 2022	45,869,714	9,153,405	18,757,926	6,686,114	80,467,159
Fund balances, June 30, 2023	$ 71,464,251	$ 3,369,841	$ 20,507,532	$ 11,256,350	$ 106,597,974

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, 2023

Net change in fund balances - Total Governmental Funds		$ 26,130,815
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).	$ 6,740,936	
Depreciation and amortization of capital assets is an expense that is not recorded in governmental funds (Note 4).	(15,284,373)	
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).	17,870,226	
Reduction of lease assets resulting from renegotiated leases are shown as decreases in the statement of net position (Note 5).	(3,681,932)	
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).	(312,159)	
In governmental funds, debt issued at a premium is recognized as an 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).	1,731,228	
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.	345,833	
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:	16,202,848	
Activities of the internal service funds are reported with governmental activities.	(541,821)	
In governmental funds, compensated absences are recorded on the current financial resources basis. In the statement of activities, these expenses are measured by the amounts earned during the year (Note 5).	722,443	
In 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.	(889,643)	22,903,586
Change in net position of governmental activities		$ 49,034,401

See accompanying notes to financial statements.

CUPERTINO UNION SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2023

	Business-Type Activities Enterprise Fund Preschool Fund	Governmental Activities Internal Service Fund Self-Insurance
ASSETS		
Current Assets:		
Cash and investments (Note 2):		
Cash in County Treasury	$ 933,937	$ 8,024,214
Cash on hand and in banks	-	46,827
Cash with fiscal agent	-	220,598
Prepaid expenses	34,742	-
Receivables	91,915	103,789
Total assets	1,060,594	8,395,428
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	217,945	-
LIABILITIES		
Current Liabilities:		
Accounts payable	23,881	504,510
Due to other funds (Note 3)	43,803	135
Unearned revenue	226,180	1,025,293
Self-insurance claim liability (Note 6)	-	1,900,000
Current liabilities	293,864	3,429,938
Non-Current Liabilities		
Net pension liability (Note 9)	498,000	-
Total liabilities	791,864	3,429,938
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	47,275	-
NET POSITION		
Restricted - insurance programs	-	4,965,490
Unrestricted	439,400	-
Total net position	$ 439,400	$ 4,965,490

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, 2023

	Business-Type Activities Enterprise Fund Preschool Fund	Governmental Activities Internal Service Fund Self-Insurance
Operating revenues:		
In-District premiums	$ -	$ 20,837,849
All other state revenues	9,996	7,559
User charges	2,352,704	-
Total operating revenues	2,362,700	20,845,408
Operating expenses:		
Certificated salaries	99,023	79,120
Classified salaries	1,144,246	96,958
Employee benefits	511,563	77,337
Books and supplies	68,636	151
Contract services and operating expense	8,080	-
Insurance premiums and claims expense	-	21,277,459
Total operating expenses	1,831,548	21,531,025
Operating income (loss)	531,152	(685,617)
Non-operating revenue:		
Interest income	-	168,436
Net decrease in fair value of Cash in County Treasury	(9,249)	(24,640)
Total non-operating revenue	(9,249)	143,796
Income (loss) before transfers	521,903	(541,821)
Transfers to other funds	(82,503)	-
Change in Net Position	439,400	(541,821)
Net Position - Beginning	-	5,507,311
Net Position - Ending	$ 439,400	$ 4,965,490

See accompanying notes to financial statements.

CUPERTINO UNION SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2023

	Business-Type Activities Enterprise Fund Preschool Fund	Governmental Activities Internal Service Fund Self-Insurance
Cash flows from operating activities:		
Cash received from user charges and other funds	$ 2,177,154	$ 20,887,070
Cash payments to employees for services	(1,778,832)	(253,415)
Cash payments for insurance claims and premium expense	-	(21,209,679)
Cash payments to suppliers for goods and services	(99,643)	(151)
Net cash provided by (used in) operating activities	298,679	(576,175)
Cash flows from investing activities:		
Interest income	-	168,436
Change in fair market value	(9,249)	(24,640)
Net cash (used in) provided by investing activities	(9,249)	143,796
Cash flows from financing activities:		
Transfers to other funds	(82,503)	-
Net cash used in financing activities	(82,503)	-
Net change in cash and cash equivalents	206,927	(432,379)
Cash and cash equivalents, July 1, 2022	727,010	8,724,018
Cash and cash equivalents, June 30, 2023	$ 933,937	$ 8,291,639
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	$ 531,152	$ (685,617)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
(Increase) decrease in:		
Receivables	(91,915)	8,091
Prepaid expenses	(34,742)	-
Due from other funds	26,599	11,471
Deferred outflows	(201,000)	-
Increase (decrease) in:		
Net pension liability	397,000	-
Self-insurance claim liability	-	(300,000)
Deferred inflows	(220,000)	-
Accounts payable	11,815	367,780
Due to other funds	(170,410)	(1,705)
Unearned revenue	50,180	23,805
Net cash provided by (used in) operating activities	$ 298,679	$ (576,175)

See accompanying notes to financial statements.

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.

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.

(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.

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.

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 Projects Funds - The capital projects funds account for financial resources used for the acquisition or construction of major capital facilities and other capital assets. This classification includes the Capital Facilities and County School Facilities Funds.

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.

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 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.

(Continued)

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, 2023.

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.

Leases: The District is a lessee for leases of property and equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of $5,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term liabilities on the statement of net position.

The District is a lessor for leases of its property. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 leases receivable and 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.

	STRP	PERF B	Total
Deferred outflows of resources	$ 25,335,814	$ 24,951,376	$ 50,287,190
Deferred inflows of resources	$ 39,121,000	$ 5,287,000	$ 44,408,000
Net pension liability	$ 87,810,000	$ 77,592,000	$ 165,402,000
Pension expense	$ 8,106,024	$ 7,824,853	$ 15,930,877

The District allocated approximately 0.64 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.

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 $1,208,272 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: In the governmental funds, revenue from federal, state, and local special projects and programs is recognized when qualified expenditures have been incurred. In the proprietary funds, revenue is recognized when the related services have been provided. Funds received but not earned are recorded as unearned revenue until earned.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position: Net position is displayed in three components:

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

2 - Restricted Net Position - Restrictions of the ending net position indicate the portions of net position not 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.

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, 2023, 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, 2023 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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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.

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

(Continued)

NOTE 2 - CASH AND INVESTMENTS

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

	Governmental Activities			
	Governmental Funds	Internal Service Fund	Total	Business-Type Activities
Pooled Funds:				
Cash in County Treasury	$ 105,833,391	$ 8,024,214	$ 113,857,605	$ 933,937
Deposits:				
Cash in revolving fund	76,959	-	76,959	-
Cash on hand and in banks	12,978	46,827	59,805	-
Cash with Fiscal Agent	-	220,598	220,598	-
Total cash and Investments	$ 105,923,328	$ 8,291,639	$ 114,214,967	$ 933,937

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, 2023, the carrying amount of the District's accounts was $136,764 and the bank balances totaled $477,033, of which $262,978 was insured by the FDIC, and $214,055 was uninsured but 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.

Interest Rate Risk: The District allows investments with Federal Government Issues that have a maturity date of five years or less. At June 30, 2023, 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, 2023, 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, 2023, the District had no concentration of credit risk.

(Continued)

NOTE 3 - INTERFUND TRANSACTIONS

Interfund Activity: Transactions between funds of the District are recorded as interfund transfers. 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, 2023 were as follows:

	Interfund Receivables	Interfund Payables
Governmental Activities:		
Major Funds:		
General	$ 43,938	$ 80
Building	-	854,018
Non-Major Funds:		
County School Facilities	854,018	-
Cafeteria	80	-
Internal Service Fund:		
Self-Insurance	-	135
Business Type Activities:		
Preschool Enterprise	-	43,803
Totals	$ 898,036	$ 898,036

Transfers: Transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Transfers for the 2022-2023 fiscal year were as follows:

Transfer from the Building Fund to the General Fund for Routine Restricted Maintenance Account contribution.	$ 2,453,509
Transfer from the Cafeteria Fund to the General Fund for indirect cost support.	171,435
Transfer from the Preschool Enterprise Fund to the General Fund for the return of previously provided operational support.	82,503
	$ 2,707,447

(Continued)

NOTE 4 - CAPITAL ASSETS

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

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Non-depreciable:				
Land	$ 8,698,688	$ -	$ -	$ 8,698,688
Work-in-process	-	38,531	-	38,531
Depreciable:				
Buildings	496,623,892	6,206,650	-	502,830,542
Improvement of sites	37,207,079	61,056	-	37,268,135
Equipment	6,850,909	434,699	-	7,285,608
Totals, at cost	549,380,568	6,740,936	-	556,121,504
Less accumulated depreciation:				
Buildings	(310,174,357)	(13,221,593)	-	(323,395,950)
Improvement of sites	(22,339,706)	(1,281,924)	-	(23,621,630)
Equipment	(5,511,168)	(310,816)	-	(5,821,984)
Total accumulated depreciation	(338,025,231)	(14,814,333)	-	(352,839,564)
Lease assets:				
Buildings, at cost	5,562,092	-	(3,681,932)	1,880,160
Accumulated lease amortization:				
Buildings	(470,040)	(470,040)	-	(940,080)
Total lease assets, net	5,092,052	(470,040)	(3,681,932)	940,080
Capital assets, net	$ 216,447,389	$ (8,543,437)	$ (3,681,932)	$ 204,222,020

Depreciation and amortization expense was charged to governmental activities as follows:

Instruction	$ 14,601,995
Home-to-school transportation	271,323
Food services	58,848
Data processing	109,070
Plant services	243,137
Total depreciation and amortization expense	$ 15,284,373

(Continued)

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, 2022	Current Year Proceeds	Current Year Redemptions	Outstanding June 30, 2023
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
Election of 2001, Series E	3.0-12.0%	2028	4,995,086	490,086	-	-	490,086
Election of 2012, Series A	2.0-5.0%	2038	50,000,000	720,000	-	720,000	-
2013 GO Refunding Bonds, Series A	5.0%	2028	35,485,000	4,565,000	-	2,115,000	2,450,000
2013 GO Refunding Bonds, Series B	2.0-4.0%	2025	22,320,000	2,350,000	-	1,005,000	1,345,000
Election of 2012, Series B	2.0-5.0%	2039	99,995,000	5,270,000	-	1,495,000	3,775,000
Election of 2012, Series C	3.0-5.0%	2041	55,000,000	45,925,000	-	95,000	45,830,000
2016 GO Refunding Bonds	3.0-5.0%	2035	25,090,000	24,655,000	-	3,565,000	21,090,000
Election of 2012, Series D	2.5-5.0%	2041	15,005,000	14,755,000	-	175,000	14,580,000
2019 GO Refunding Bonds	1.7%-3.0%	2038	120,535,000	115,870,000	-	3,340,000	112,530,000
2020 GO Refunding Bonds	0.249-2.594%	2039	49,535,000	48,405,000	-	875,000	47,530,000
Total				$ 263,933,302	$ -	$ 13,385,000	$ 250,548,302

(Continued)

NOTE 5 - LONG-TERM LIABILITIES (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2024	$ 14,665,000	$ 7,158,457	$ 21,823,457
2025	15,930,000	6,757,588	22,687,588
2026	16,150,000	6,523,581	22,673,581
2027	16,572,760	6,983,031	23,555,791
2028	17,410,665	7,038,204	24,448,869
2029-2033	54,464,877	26,663,052	81,127,929
2034-2038	71,015,000	14,459,766	85,474,766
2039-2041	44,340,000	3,247,853	47,587,853
Totals	$ 250,548,302	$ 78,831,532	$ 329,379,834

Lease liabilities: The District holds a lease for the district office facilities. As the lease agreement does not include a stated rate, management utilized its incremental borrowing rate to determine the net present value of contractual payments under the lease. The annual requirements to amortize the lease outstanding as of June 30, 2023, are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	$ 424,898	$ 46,066	$ 470,964
2025	503,515	41,798	545,313
Totals	$ 928,413	$ 87,864	$ 1,016,277

(Continued)

NOTE 5 - LONG-TERM LIABILITIES (Continued)

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

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023	Amounts Due Within One Year
Government activities					
General Obligation Bonds :					
General Obligation Bonds	$ 263,933,302	$ -	$ 13,385,000	$ 250,548,302	$ 14,665,000
Accreted interest	2,332,745	312,159	-	2,644,904	-
Unamortized premiums	10,466,257	-	1,731,228	8,735,029	1,559,878
Other long-term liabilities :					
Net pension liability (Notes 8 and 9)	106,111,000	58,793,000	-	164,904,000	-
Compensated absences	1,930,715	-	722,443	1,208,272	1,208,272
Lease liabilities	5,413,639	-	4,485,226	928,413	424,898
Subtotal Governmental Activities	390,187,658	59,105,159	20,323,897	428,968,920	17,858,048
Business-type activities					
Net pension liability (Notes 8 and 9)	101,000	397,000	-	498,000	-
Totals	$ 390,288,658	$ 59,502,159	$ 20,323,897	$ 429,466,920	$ 17,858,048

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

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.

Insurance Program / Company Name	Type of Coverage	Limits
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.

	Workers' Compensation	Medical	Dental/Vision	Total
Liability Balance, July 1, 2021	$ 1,487,000	$ 103,000	$ 610,000	$ 2,200,000
Claims and changes in estimates	-	465,218	1,877,843	2,343,061
Claims payments	(170,000)	(504,218)	(1,768,843)	(2,443,061)
Liability Balance, June 30, 2022	1,317,000	64,000	719,000	2,100,000
Claims and changes in estimates	(192,000)	6,436	1,746,129	1,560,565
Claims payments	(5,000)	(10,436)	(1,745,129)	(1,760,565)
Liability Balance, June 30, 2023	$ 1,120,000	$ 60,000	$ 720,000	$ 1,900,000

(Continued)

NOTE 7 - FUND BALANCES

Fund balances, by category, at June 30, 2023 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	381,396	-	-	273,309	654,705
Prepaid expenditures	1,582,220	-	-	1,844	1,584,064
Subtotal nonspendable	2,038,616	-	-	277,112	2,315,728
Restricted:					
Legally restricted:					
Grants	23,562,267	-	-	-	23,562,267
Cafeteria operations	-	-	-	5,236,925	5,236,925
Capital projects	-	3,369,841	-	5,742,313	9,112,154
Debt service	-	-	20,507,532	-	20,507,532
Subtotal restricted	23,562,267	3,369,841	20,507,532	10,979,238	58,418,878
Assigned:					
LCFF & Program carry-over	24,796,145	-	-	-	24,796,145
Unassigned:					
Designated for economic uncertainty	21,067,223	-	-	-	21,067,223
Total fund balances	$ 71,464,251	$ 3,369,841	$ 20,507,532	$ 11,256,350	$ 106,597,974

(Continued)

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

General Information about the State Teachers' Retirement Plan

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

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, up to the 2.4 percent maximum.

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

(Continued)

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

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

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

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

Members - Under CalSTRS 2% at 60, the member contribution rate was 10.250 percent of applicable member earnings for fiscal year 2022-23. 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 2022-23.

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

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

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

(Continued)

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

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

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

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

The District contributed $16,703,814 to the plan for the fiscal year ended June 30, 2023.

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

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

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

(Continued)

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

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

Effective Date	Base Rate	Supplemental Rate Per CalSTRS Funding Plan	SBMA Funding[1]	Total
July 01, 2022	2.017%	6.311%	2.50%	10.828%
July 01, 2023 to June 30, 2046	2.017%	(2)	2.50%	(2)
July 01, 2046	2.017%	(3)	2.50%	(3)

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

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

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

District's proportionate share of the net pension liability	$ 87,810,000
State's proportionate share of the net pension liability associated with the District	49,632,000
Total	$ 137,442,000

The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 the District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school districts and the State. At June 30, 2022 , the District's proportion was 0.126% percent, which was a decrease of 0.004 percent from its proportion measured as of June 30, 2021.

(Continued)

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

For the year ended June 30, 2023, the District recognized pension expense of $8,106,024 and revenue of $7,945,535 for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 72,000	$ 6,584,000
Changes of assumptions	4,355,000	-
Net differences between projected and actual earnings on investments	-	4,294,000
Changes in proportion and differences between District contributions and proportionate share of contributions	4,205,000	28,243,000
Contributions made subsequent to measurement date	16,703,814	-
Total	$ 25,335,814	$ 39,121,000

$16,703,814 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2024	$ (6,919,633)
2025	$ (9,173,633)
2026	$ (10,522,134)
2027	$ 954,534
2028	$ (4,111,967)
2029	$ (716,167)

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

(Continued)

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

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

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

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

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

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

(Continued)

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

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

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

* 20-year geometric average

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

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
District's proportionate share of the net pension liability	$ 149,133,000	$ 87,810,000	$ 36,893,000

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

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

General Information about the Public Employer's Retirement Fund B

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

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

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, 2023 were as follows:

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

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

The District contributed $9,699,376 to the plan for the fiscal year ended June 30, 2023.

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

At June 30, 2023, the District reported a liability of $77,592,000 or its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school districts. At June 30, 2022, the District's proportion was 0.226 percent, which was a decrease of 0.005 percent from its proportion measured as of June 30, 2021.

(Continued)

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

For the year ended June 30, 2023, the District recognized pension expense of $7,824,853. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 351,000	$ 1,931,000
Changes of assumptions	5,740,000	-
Net differences between projected and actual earnings on investments	9,161,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	3,356,000
Contributions made subsequent to measurement date	9,699,376	-
Total	$ 24,951,376	$ 5,287,000

$9,699,376 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2024	$ 1,339,667
2025	$ 1,458,667
2026	$ 1,580,166
2027	$ 5,586,500

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

(Continued)

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

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

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

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
District's proportionate share of the net pension liability	$ 112,086,000	$ 77,592,000	$ 49,085,000

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

NOTE 10 - JOINT POWERS AGREEMENTS

The District is a member with other Districts in two joint powers authorities (JPAs), including Northern California ReLiEF (NCRLF) 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, SCCSIG at June 30, 2022 (the latest information available):

	NCRLF	SCCSIG
Total assets	$ 74,201,109	$ 30,411,088
Total deferred outflows	$ -	$ 199,914
Total liabilities	$ 41,042,148	$ 8,349,209
Total deferred inflows	$ -	$ 341,228
Total net position	$ 33,158,961	$ 21,920,565
Total revenues	$ 80,060,372	$ 42,135,855
Total expenditures	$ 77,583,166	$ 40,618,277
Change in net position	$ 2,477,206	$ 1,517,578

NOTE 11 - 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.

NOTE 12 – SUBSEQUENT EVENT

On November 29, 2023, the District entered into a lease financing arrangement with a total principal value of $40,233,250. The proceeds from the lease financing will be used for the acquisition, construction, and installation of solar energy equipment at twenty-five separate District school sites. The lease financing bears interest at 4.8256% per annum and is scheduled to mature through November 29, 2043.

REQUIRED SUPPLEMENTARY INFORMATION

CUPERTINO UNION SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2023

	Budget Original	Budget Final	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	$ 15,757,012	$ 45,642,371	$ 45,642,371	$ -
Local sources	148,749,219	130,088,656	130,088,656	-
Total LCFF	164,506,231	175,731,027	175,731,027	-
Federal sources	6,781,923	6,820,142	6,820,142	-
Other state sources	39,199,005	32,243,728	32,243,728	-
Other local sources	15,245,168	18,935,862	18,935,862	-
Total revenues	225,732,327	233,730,759	233,730,759	-
Expenditures:				
Current:				
Certificated salaries	90,466,064	90,621,662	90,621,662	-
Classified salaries	38,322,002	37,291,509	37,291,509	-
Employee benefits	54,466,963	51,207,435	51,207,435	-
Books and supplies	10,683,152	9,806,649	9,806,649	-
Contract services and operating expenditures	17,107,521	21,076,299	21,076,299	-
Capital outlay	255,488	631,904	631,904	-
Debt service:				
Principal retirement	-	208,211	208,211	-
Total expenditures	211,301,190	210,843,669	210,843,669	-
Excess of revenues over expenditures	14,431,137	22,887,090	22,887,090	-
Other financing sources:				
Transfers in	5,655,336	2,707,447	2,707,447	-
Net change in fund balance	20,086,473	25,594,537	25,594,537	-
Fund balance, July 1, 2022	45,869,714	45,869,714	45,869,714	-
Fund balance, June 30, 2023	$ 65,956,187	$ 71,464,251	$ 71,464,251	$ -

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, 2023

State Teachers' Retirement Plan
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023
District's proportion of the net pension	0.174%	0.172%	0.178%	0.163%	0.160%	0.172%	0.152%	0.130%	0.126%
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	$ 147,541,000	$ 59,162,000	$ 87,810,000
State's proportionate share of the net pension liability associated with the District	61,357,596	61,122,863	82,131,686	89,115,549	84,084,579	84,617,000	80,630,000	35,200,000	49,632,000
Total net pension liability	$ 162,969,403	$ 176,691,110	$ 226,404,054	$ 239,752,502	$ 230,945,208	$ 239,715,000	$ 228,171,000	$ 94,362,000	$ 137,442,000
District's covered payroll	$ 76,856,296	$ 82,554,422	$ 88,417,903	$ 86,675,128	$ 89,140,788	$ 89,116,000	$ 86,877,000	$ 84,823,000	$ 85,115,000
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%	169.83%	69.75%	103.17%
Plan fiduciary net position as a percentage of the total pension liability	76.52%	74.02%	70.04%	69.46%	71.00%	72.56%	71.82%	87.21%	81.20%

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

All years prior to 2015 are not available.

(Continued)

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

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023
District's proportion of the net pension	0.264%	0.267%	0.267%	0.264%	0.262%	0.252%	0.242%	0.231%	0.226%
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	$ 74,232,000	$ 47,050,000	$ 77,592,000
District's covered payroll	$ 27,680,980	$ 30,455,001	$ 32,076,564	$ 33,676,227	$ 34,519,708	$ 34,949,000	$ 34,849,000	$ 33,196,000	$ 35,237,000
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%	213.01%	141.73%	220.20%
Plan fiduciary net position as a percentage of the total pension liability	83.00%	79.00%	74.00%	72.00%	71.00%	70.05%	70.00%	80.97%	69.76%

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

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

CUPERTINO UNION SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2023

State Teacher's Retirement Plan
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required contribution	$ 7,336,518	$ 9,448,353	$ 10,860,869	$ 12,811,249	$ 14,487,628	$ 14,855,938	$ 13,698,851	$ 14,401,489	$ 16,703,814
Contributions in relation to the contractually required contribution	(7,336,518)	(9,448,353)	(10,860,869)	(12,811,249)	(14,487,628)	(14,855,938)	(13,698,851)	(14,401,489)	(16,703,814)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 82,554,422	$ 88,417,903	$ 86,675,128	$ 89,140,788	$ 89,116,000	$ 86,877,000	$ 84,823,000	$ 85,115,000	$ 87,455,000
Contributions as a percentage of covered payroll	88.88%	10.69%	12.53%	14.37%	16.26%	17.10% *	16.15%**	16.92%***	19.10%

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

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

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

All years prior to 2015 are not available.

(Continued)

CUPERTINO UNION SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2023

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required contribution	$ 3,492,854	$ 3,807,253	$ 4,679,943	$ 5,361,054	$ 6,326,946	$ 6,872,223	$ 6,873,111	$ 8,072,853	$ 9,699,376
Contributions in relation to the contractually required contribution	(3,492,854)	(3,807,253)	(4,679,943)	(5,361,054)	(6,326,946)	(6,872,223)	(6,873,111)	(8,072,853)	(9,699,376)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 30,455,001	$ 32,076,564	$ 33,676,227	$ 34,519,708	$ 34,949,000	$ 34,849,000	$ 33,196,000	$ 35,237,000	$ 38,232,000
Contributions as a percentage of covered payroll	11.47%	11.87%	13.90%	15.53%	18.10%	19.72%	20.70%	22.91%	25.37%

All years prior to 2015 are not available.

See accompanying note to required supplementary information.

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 rate used for the Public Employer's Retirement Fund B (PERF B) plan was 7.50, 7.65, 7.65, 7.15, 7.15, 7.15, 7.15, 7.15 and 6.90 percent in the June 30, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, and 2021 actuarial reports, respectively.
.
The inflation rate used for the PERF B plan was 2.50, 2.50, 2.50, 2.50, 2.50, 2.50, 2.50, 2.50, and 2.30 percent in the June 30, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, and 2021 actuarial reports, respectively.

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

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

SUPPLEMENTARY INFORMATION

CUPERTINO UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NON-MAJOR FUNDS
June 30, 2023

	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Total
ASSETS				
Cash and investments:				
Cash in County Treasury	$ 3,848,279	$ 4,143,290	$ 1,419,394	$ 9,410,963
Cash in revolving fund	1,959	-	-	1,959
Cash on hand and in banks	12,978	-	-	12,978
Receivables	1,388,109	31,693	-	1,419,802
Due from other funds	80	-	854,018	854,098
Prepaid Expenditures	1,844	-	-	1,844
Stores inventory	273,309	-	-	273,309
Total assets	$ 5,526,558	$ 4,174,983	$ 2,273,412	$ 11,974,953
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 12,521	$ 47,335	$ 658,747	$ 718,603
Fund balances:				
Nonspendable	277,112	-	-	277,112
Restricted	5,236,925	4,127,648	1,614,665	10,979,238
Total fund balance	5,514,037	4,127,648	1,614,665	11,256,350
Total liabilities and fund balances	$ 5,526,558	$ 4,174,983	$ 2,273,412	$ 11,974,953

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
ALL NON-MAJOR FUNDS
For the Year Ended June 30, 2023

	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Total
Revenues:				
Federal sources	$ 2,054,922	$ -	$ -	$ 2,054,922
Other state sources	6,616,600	-	1,960,673	8,577,273
Other local sources	40,412	1,225,931	(42,419)	1,223,924
Total revenues	8,711,934	1,225,931	1,918,254	11,856,119
Expenditures:				
Current:				
Classified salaries	2,276,278	-	-	2,276,278
Employee benefits	874,178	-	-	874,178
Books and supplies	2,986,996	182	282	2,987,460
Contract services and operating expenditures	140,281	398,764	392	539,437
Capital outlay	86,375	47,805	302,915	437,095
Total expenditures	6,364,108	446,751	303,589	7,114,448
Excess of revenues over expenditures	2,347,826	779,180	1,614,665	4,741,671
Other financing uses:				
Transfers out	(171,435)	-	-	(171,435)
Change in fund balances	2,176,391	779,180	1,614,665	4,570,236
Fund balance, July 1, 2022	3,337,646	3,348,468	-	6,686,114
Fund balance, June 30, 2023	$ 5,514,037	$ 4,127,648	$ 1,614,665	$ 11,256,350

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

Name	Office	Term Expires
Sylvia Leong	Board President	December 2024
Phyllis Vogel	Board Vice President	December 2024
Jerry Liu	Board Clerk	December 2026
Ava Chiao	Board Member	December 2026
Satheesh Madhathil	Board Member	December 2026

ADMINISTRATION

Stacy Yao
Superintendent

Allison Liner
Associate Superintendent, Education Services

Mike Ghelber
Associate Superintendent, Human Resources

Chris Jew
Chief Operations Officer

Leslie Mains
Chief Engagement Officer

Mahmoud Abed
Senior Director, Information Technology

CUPERTINO UNION SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
June 30, 2023

	Second Period Report	Annual Report
Certificate #:	F6B180A9	5A041B89
Elementary:		
Transitional Kindergarten through Third	5,381	5,411
Fourth through Sixth	4,463	4,467
Seventh and Eighth	3,087	3,094
Total Elementary	12,931	12,972
Extended Year Special Education		
Transitional Kindergarten through Third	7	7
Fourth through Sixth	2	2
Seventh and Eighth	2	2
Total Extended Year Special Education	11	11
Special Education, Nonpublic, Nonsectarian Schools		
Transitional Kindergarten through Third	1	1
Fourth through Sixth	3	3
Seventh and Eighth	6	6
Total Special Education, Nonpublic, Nonsectarian Schools	10	10
District Totals	12,952	12,993

Grade Level	Statutory Minutes Require-ments	2022-23 Actual Offered Minutes	Credited Minutes per Approved Form J-13A(1)	Total Reported Minutes	2022-23 Actual Offered Days	Credited Days per Approved Form J-13A(1)	Number of Days Traditional Calendar	Status
Kindergarten	36,000	52,374	310	52,684	179	1	180	In compliance
Grade 1	50,400	51,510	0(2)	51,510	179	1(2)	180	In compliance
Grade 2	50,400	51,510	0(2)	51,510	179	1(2)	180	In compliance
Grade 3	50,400	51,510	0(2)	51,510	179	1(2)	180	In compliance
Grade 4	54,000	55,440	0(3)	55,440	179	1(3)	180	In compliance
Grade 5	54,000	55,440	0(3)	55,440	179	1(3)	180	In compliance
Grade 6	54,000	55,580	294	55,874	179	1	180	In compliance
Grade 7	54,000	55,580	294	55,874	179	1	180	In compliance
Grade 8	54,000	55,580	294	55,874	179	1	180	In compliance

(1) During the audit year, a total of 16 elementary and middle school sites were closed for 1 day due to a natural disaster. In a related incident, 1 elementary school site was closed for 1 additional day. The District received credit for the deficient minutes and days through a Form J-13A waiver, which was approved December 27, 2023.

(2) Stocklmeir Elementary School, Grades 1-3, offered total minutes of 51,615 and 180 days, which included a J-13A Waiver of 600 minutes and 2 days, which was approved on December 27, 2023.

(3) Stocklmeir Elementary School, Grades 4-5, offered total minutes of 55,545 and 180 days, which included a J-13A Waiver of 660 minutes and 2 days, which was approved on December 27, 2023.

Assistance Listing Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
	U.S. Department of Education - Passed through California Department of Education		
	Special Education Cluster:		
84.027	Special Ed: IDEA Basic Local Assistance	13379	$ 2,994,827
84.027	Special Ed: Local Assistance Private School	10115	20,916
84.173	Special Ed: Preschool Grants	13430	74,733
	Subtotal Special Education Cluster		3,090,476
	COVID-19: Education Stabilization Fund (ESF) Programs:		
84.425	COVID-19: Elementary and Secondary School Relief II (ESSER II) Fund	15547	13,380
84.425	COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund	15559	667,809
84.425C	COVID-19: Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	15517	16,693
84.425D	COVID-19: Expanded Learning Opportunities Grant: ESSER II State Reserve	15618	649,466
84.425C	COVID-19: Expanded Learning Opportunities Grant: GEER II	15619	123,995
84.425U	COVID-19: Expanded Learning Opportunities Grant: ESSER III State Reserve, Emergency Needs	15620	854,548
84.425U	COVID-19: Expanded Learning Opportunities Grant: ESSER III State Reserve, Learning Loss	15621	889,489
84.425	COVID-19: American Rescue Plan - Homeless Children and Youth II (ARP HYC II)	15566	4,813
	Subtotal COVID-19: ESF Programs		3,220,193
84.010	Title I - Basic Grants Low-Income and Neglected	14329	205,368
84.365	Title III - Limited English Proficient Program	14346	129,037
84.367	Title II - Improving Teacher Quality Local Grants	14341	154,074
84.424	ESEA: Title IV, Part A, Student Support and Academic Enrichment Grants	15396	20,994
	Total U.S. Department of Education		6,820,142

(Continued)

Assistance Listing Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Entity Identifying Number	Federal Expend-itures
	U.S. Department of Agriculture - Passed through California Department of Education		
	Child Nutrition Cluster:		
10.555	National School Lunch Program	13391	$ 1,724,065
10.555	Supply Chain Assistance (SCA) Funds	13529	330,857
	Subtotal Child Nutrition Cluster		2,054,922
	Total U.S. Department of Agriculture		2,054,922
	Total Federal Programs		$ 8,875,064

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

	(Budget) 2024	2023	2022	2021
Revenues and other financing sources	$ 212,774,950	$ 236,438,206	$ 202,330,467	$ 203,388,819
Expenditures	223,144,300	210,843,669	199,824,656	189,263,161
Other uses and transfers out	-	-	-	-
Total outgo	223,144,300	210,843,669	199,824,656	189,263,161
Change in fund balance	$ (10,369,350)	$ 25,594,537	$ 2,505,811	$ 14,125,658
Ending fund balance	$ 61,094,901	$ 71,464,251	$ 45,869,714	$ 43,363,903
Available reserves	$ 16,312,370	$ 21,067,223	$ 19,967,632	$ 11,349,230
Designated for economic uncertainties	$ 16,312,370	$ 21,067,223	$ 19,967,632	$ 11,349,230
Undesignated fund balance	$ -	$ -	$ -	$ -
Available reserves as percentages of total outgo	7.31%	9.99%	9.99%	6.00%
Total long-term liabilities	$ 411,608,872	$ 429,466,920	$ 390,288,658	$ 520,438,492
Average daily attendance at P-2	13,120	12,952	13,566	16,320

The fund balance in the General Fund has increased by $42,226,006 over the past three years. The District projects a decrease of $10,369,350 for the fiscal year ending June 30, 2024. 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, 2023, the District has met this requirement.

The District has incurred operating surpluses in each of the past three years and anticipates an operating deficit during the 2023-24 fiscal year.

Total long-term liabilities have decreased by $87,099,014 over the past two years.

Average daily attendance has decreased by 3,368 over the past two years. A decrease of 168 ADA is anticipated during the year ending 2023-24.

SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2023

The District does not sponsor any charter schools.

NOTE 1 - PURPOSE OF SCHEDULES

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

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

Schedule of Expenditures of Federal Awards: The Schedule of Expenditures 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, 2023, the District did not offer an Early Retirement Incentive Program.

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees
Cupertino Union School District
Cupertino, California

Report on Compliance

Opinion on State Compliance

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

In our opinion, the District complied, in all material respects, with the compliance requirements that are applicable to the laws and regulations of the state programs referred to above for the year ended June 30, 2023.

Basis for Opinion on State Compliance

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

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

Responsibilities of Management for Compliance

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

(Continued)

Auditor's Responsibilities for the Audit of Compliance

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

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

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

2022-23 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other than Charter Schools:	
A. Attendance	Yes
B. Teacher Certification and Misassignments	Yes
C. Kindergarten Continuance	Yes
D. Independent Study	Yes
E. Continuation Education	N/A, see below
F. Instructional Time	Yes
G. Instructional Materials	Yes
H. Ratio of Administrative Employees to Teachers	Yes
I. Classroom Teacher Salaries	Yes
J. Early Retirement Incentive	N/A, see below
K. Gann Limit Calculation	Yes
L. School Accountability Report Card	Yes
M. Juvenile Court Schools	N/A, see below
N. Middle or Early College High Schools	N/A, see below
O. K-3 Grade Span Adjustment	Yes
P. Transportation Maintenance of Effort	Yes
Q. Apprenticeship: Related and Supplemental Instruction	N/A, see below
R. Comprehensive School Safety Plan	Yes
S. District of Choice	N/A, see below
TT. Home to School Transportation Reimbursement	Yes
UU. Independent Study Certification for ADA Loss Mitigation	Yes

(Continued)

School Districts, County Offices of Education, and Charter Schools:	
T. California Clean Energy Jobs Act	N/A, see below
U. After/Before School Education and Safety Program	N/A, see below
V. Proper Expenditure of Education Protection Account Funds	Yes
W. Unduplicated Local Control Funding Formula Pupil Counts	Yes
X. Local Control and Accountability Plan	Yes
Y. Independent Study – Course-Based	N/A, see below
Z. Immunizations	N/A, see below
AZ. Educator Effectiveness	Yes
BZ. Expanded Learning Opportunities Grant (ELO-G)	Yes
CZ. Career Technical Education Incentive Grant	N/A, see below
EZ. Transitional Kindergarten	Yes
Charter Schools:	
AA. Attendance	N/A, see below
BB. Mode of Instruction	N/A, see below
CC. Nonclassroom-Based Instruction/Independent Study	N/A, see below
DD. Determination of Funding for Nonclassroom-Based Instruction	N/A, see below
EE. Annual Instructional Minutes-Classroom Based	N/A, see below
FF. Charter School Facility Grant Program	N/A, see below

The District does not offer any Continuation Education courses; therefore, we did not perform any procedures related to Continuation Education.

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

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

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

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

The District was not identified as a district of choice by the California Department of Education; therefore, we did not perform any procedures related to District of Choice.

The District did not receive or expend California Clean Energy Jobs Act funds; therefore, we did not perform any procedures related to California Clean Energy Jobs Act.

The District does not offer an After/Before School Education and Safety Program during the audit year; therefore, we did not perform any procedures related to After/Before School Education and Safety.

The District did not report any ADA from Independent Study - Course Based programs during the audit year; therefore, we did not perform any procedures related to the Independent Study - Course Based.

The District did not have any sites included on the California Department of Public Health's listing of sites requiring testing for Immunizations; therefore, we did not perform any procedures related to Immunizations.

The District did not receive funding for Career Technical Education Incentive Grant during the audit year; therefore, we did not perform any procedures related to Career Technical Education Incentive Grant.

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.

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

Report on Internal Control over Compliance

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

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

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

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

Crowe LLP

Crowe LLP

Sacramento, California
February 1, 2024

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, 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, 2023, 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 1, 2024.

Report on 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. However, material weaknesses or significant deficiencies may exist that have not been identified.

(Continued)

Report on 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

Crowe LLP

Sacramento, California
February 1, 2024

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

Board of Trustees
Cupertino Union School District
Cupertino, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

(Continued)

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Cupertino Union School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Cupertino Union School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Cupertino Union School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

(Continued)

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

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

Crowe LLP

Crowe LLP

Sacramento, California
February 1, 2024

FINDINGS AND RECOMMENDATIONS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	______ Yes	X No
Significant deficiency(ies) identified not considered to be material weakness(es)?	______ Yes	X None reported
Noncompliance material to financial statements noted?	______ Yes	X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified?	______ Yes	X No
Significant deficiency(ies) identified not considered to be material weakness(es)?	______ Yes	X None reported

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

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

Identification of major programs:

AL Number(s)	Name of Federal Program or Cluster
84.027, 84.173	Special Education Cluster
84.425, 84.425C, 84.425U, 84,425D	COVID 19: ESF Cluster
10.555	Child Nutrition 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

(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

STATUS OF PRIOR YEAR

FINDINGS AND RECOMMENDATIONS

2022-001 – DEFICIENCY – STATE COMPLIANCE – ATTENDANCE (10000)

Condition: One student was improperly claimed for apportionment at R.I. Meyerholz Elementary School for a total overstatement of 0.01 ADA.

Recommendation: The District should enforce established internal controls over attendance accounting and reporting, to ensure accurate accounting for attendance.

Current Status: Implemented.

District Explanation if Not Implemented: Not applicable.

2022-002 – DEFICIENCY – STATE COMPLIANCE – INDEPENDENT STUDY (40000)

Condition: The District was unable to provide completed signed independent study agreements and/or other relevant required information for a total of twelve students claimed for independent study attendance.

Recommendation: The District should enforce controls to ensure signed independent study agreements and required work samples are maintained for all students claimed for ADA in the independent study program.

Current Status: Implemented.

District Explanation if Not Implemented: Not applicable.