

**CUPERTINO UNION SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

June 30, 2024

CUPERTINO UNION SCHOOL DISTRICT  
FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2024

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FINANCIAL STATEMENTS  
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## 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, 2024, 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, 2024, 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*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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.

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(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 47 to 51 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.

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(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 Information**

Management is responsible for the other information included in the financial statements. The other information comprises the Organization page but does not include the basic financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 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

December 5, 2024  
Sacramento, California



# CUPERTINO UNION SCHOOL DISTRICT

## Management's Discussion and Analysis

### DISTRICT PROFILE

Board of Education District Priorities:

1. Future-Ready Learning  
Support each child in developing the skills and characteristics of our CUSD Portrait of a Learner (POL) including academic content skills and our seven (7) competencies: Critical Thinker, Effective Communicator, Global Contributor, Inclusive Collaborator, Inspired Creator, Resilient Learner, Wellness.
2. Community-Wide Engagement  
Actively engage educational partners (students, staff, parents and community members) and build strong relationships to support the implementation of the CUSD Strategic Plan, including the Portrait of a Learner.
3. Fiscal Responsibility  
Effectively and efficiently utilize District Resources, operations, and processes to maximize each student's learning.
4. Sense of Belonging  
Create a sense of belonging in the workplace so that every employee feels valued, validated and supported to actively engage in their work, fully contribute, and confidently practice well-being activities that promote connectedness and work-life harmony.

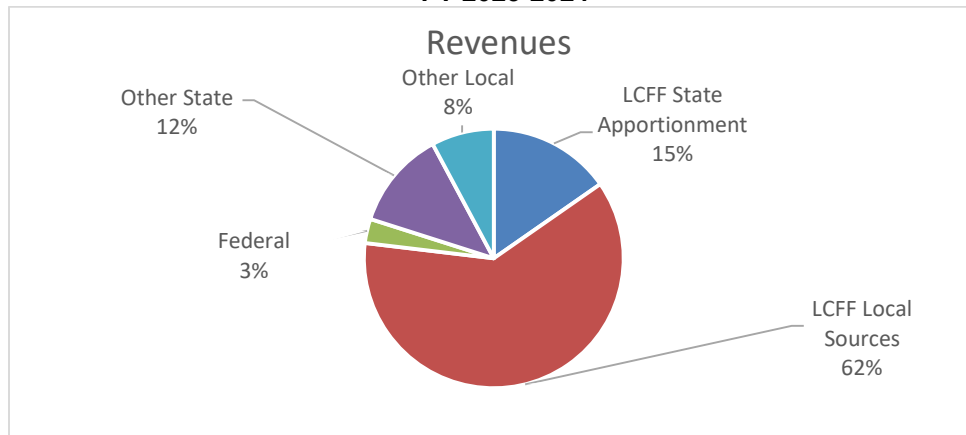
Cupertino Union School District was established in 1916. The District operates eighteen elementary schools, and five middle schools. The District serves about 13,500 K-8 students in a 26-square mile area that includes the City of Cupertino and portions of five other cities in California's Silicon Valley. 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 categorical program into one funding source. The District is anticipating moving into Basic Aid in 2024-2025 when the local property tax revenue will exceed the state calculated revenue amount. In 2023-2024, 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 2023-2024**



**CUPERTINO UNION SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2024**

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## **2024 Results of Operations**

As of June 30, 2024, the District's general fund recorded total revenues and other financing sources of \$231.3 million and total expenditures of \$243.5 million, resulting in an ending fund balance of \$59.3 million. Of this amount, \$7.3 million is the required three percent statutory reserves and \$16.3 million is the Board's additional reserve for future downturn. Other components of the ending fund balance include \$3.6 million non-spendable, \$25.5 million restricted for categorical programs, and \$6.6 million in assigned program carryover.

The total general fund revenues of \$216.3 million are from the following sources: 77% local control funding formula (62% property tax and 15% state aid), 3% federal programs, 12% 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.

# CUPERTINO UNION SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### JUNE 30, 2024

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#### Government-wide Financial Statements

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

The two government-wide statements report the District's net position and how they have changed. Net position - the difference between the District's assets 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.

**CUPERTINO UNION SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2024**

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

**Net Position**

As of June 30, 2024, the District's combined net position increased \$1.4 million from prior year resulting in an ending amount totaling negative \$102.3 million.

	Governmental Activities (in millions)		Percent Changes
	2023	2024	
Current and other assets	\$ 128.7	\$ 192.1	49.2%
Capital assets	<u>204.2</u>	<u>186.7</u>	-8.6%
Total assets	<u>332.9</u>	<u>378.7</u>	13.7%
Deferred outflows of resources related to pensions	50.1	74.6	48.9%
Deferred losses on debt refunding	<u>9.6</u>	<u>8.7</u>	-9.4%
Total deferred outflows of resources	<u>59.7</u>	<u>83.3</u>	39.5%
Current liabilities	18.6	23.4	24.7%
Long-term debt	<u>429.0</u>	<u>493.9</u>	15.1%
Total liabilities	<u>447.6</u>	<u>517.1</u>	15.5%
Deferred inflows of resources related to pensions	44.3	30.4	-31.4%
Deferred inflows of resources related to leases	<u>4.4</u>	<u>16.6</u>	277.3%
Total deferred inflows of resources	<u>48.7</u>	<u>47.0</u>	-3.5%
Net investment in capital assets	(43.0)	(45.2)	5.1%
Restricted	60.3	73.8	22.2%
Unrestricted	<u>(121.0)</u>	<u>(130.8)</u>	8%
Total net position	<u>\$ (103.7)</u>	<u>\$ (102.3)</u>	-1.5%

The changes in the District's financial position include the following: acquisition of capital assets (\$12.6), increases to lease assets (\$3.7), depreciation and amortization of capital assets (-\$15.3), repayment of principal on long-term debt liabilities (\$15.1), proceeds from debt/other financing sources (-\$50.8), accreted interest (-\$0.2), Amortized debt with interest over the life of the debt (\$1.6), unmatured interest on long-term liabilities (\$0.2), pension costs are recognized when employer contributions are made and are recognized on the accrual basis (\$8.4), internal service funds (-\$5.0), compensated absences (-\$0.6), and deferred outflows of resources (-\$0.9). For more information on these items, see Notes 5-6 in the financial statements which follow this section, for additional details regarding these changes.

**CUPERTINO UNION SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2024**

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**Changes in Net Position**

	Governmental Activities (in millions)		Percent Changes
	<u>2023</u>	<u>2024</u>	
Revenues			
Program revenues			
Charges for services	1.2	1.2	0.0%
Operating grants and contributions	47.9	49.5	3.3%
Capital grants	1.9	10.8	468.4%
General revenues			
Property Taxes	160.7	156.3	-2.7%
Federal and State aid	50.2	36.7	-26.9%
Interest and investment earnings	1.8	4.5	150.0%
Miscellaneous	<u>6.2</u>	<u>9.3</u>	50.0%
Total revenues	<u>269.9</u>	<u>268.3</u>	-0.6%
Expenses			
Instruction	137.0	162.4	18.5%
Instruction related activities	23.0	29.2	27.0%
Pupil services	18.3	24.9	36.1%
General Administration	15.7	16.1	2.5%
Plant services	20.4	25.3	24.0%
Ancillary and community services	0.3	0.3	0.0%
Interest on long-term debt	<u>6.2</u>	<u>8.7</u>	40.3%
Total expenses	<u>220.9</u>	<u>266.9</u>	20.8%
Change in net position	<u>\$ 48.9</u>	<u>\$ 1.4</u>	97.1%

The total cost of all programs and services increased \$46.0 million to \$266.9 million. Revenues decreased by \$0.6 million which primarily consisted of decreases in property taxes and Federal and State aid.

Total revenues exceeded total expenditures by \$1.4 million, which increased the District's net position to negative \$102.3 million as of June 30, 2024.

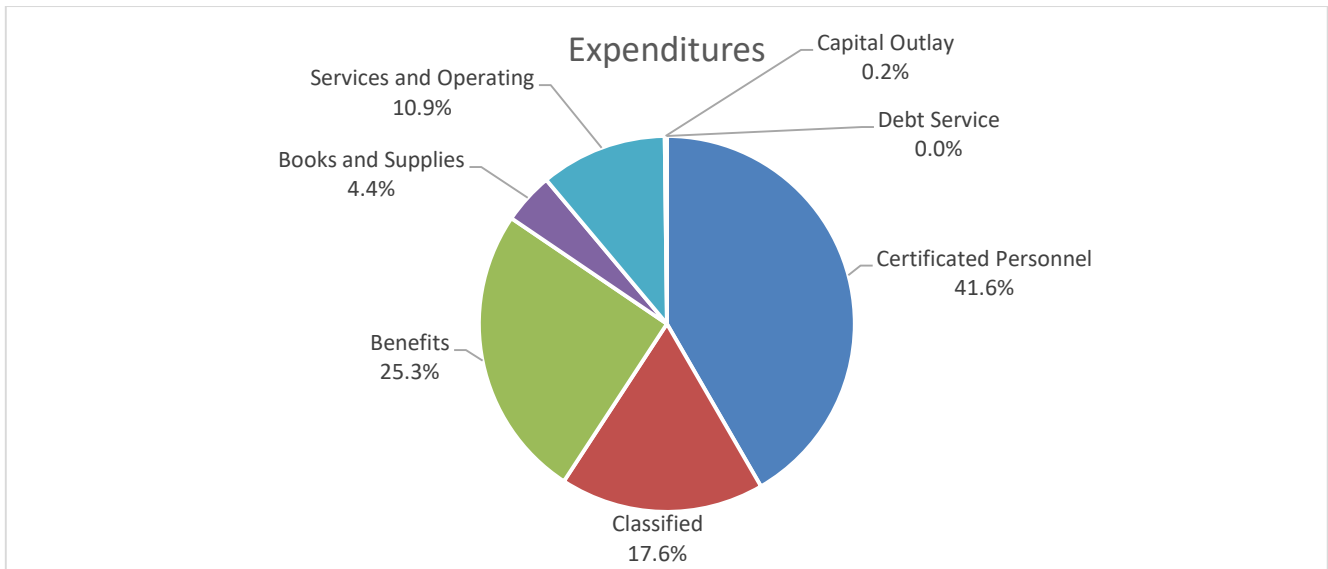
**CUPERTINO UNION SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2024**

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**Governmental Activities**

Chart 2 below illustrates 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 2023-2024**



**General Fund Budgetary Highlights**

The original adopted budget projected an ending fund balance of \$61.1 million. The final budget projected an ending fund balance of \$59.3 million. The actual ending fund balance for the General Fund as of June 30, 2024 is \$59.3 million, with \$52.0 million restricted or assigned for school/program carryover and other assignments.

The overall difference between the actual ending fund balance and the original budget was an unfavorable variance of \$1.8 million.

**CUPERTINO UNION SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2024**

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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2024 the District had \$205.1 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 increase of \$0.9 million or 0.4% over 2022-2023, which was mostly due to continued depreciation of existing assets, offset by the purchase of current capital construction projects at various school sites including the solar project that is currently underway. The major funding sources for these projects were from the School Facility Program (SFP), long term liability borrowing and developer fees. The table below presents the District's capital assets at June 30, 2024 and 2023, net of accumulated depreciation:

	Governmental Activities (in millions)		Percent Changes
	<u>2023</u>	<u>2024</u>	
	Land	\$ 8.7	
Site improvements	13.7	12.4	-9.5%
Building and improvements	179.4	168.3	-6.2%
Furniture and equipment	1.5	1.8	20%
Lease assets, net	<u>0.9</u>	<u>4.2</u>	366.7%
Total capital assets	<u>\$ 204.2</u>	<u>\$ 205.1</u>	0.4%

**Capital Facilities Projects**

In November 2024, voters approved Measure Z, a \$347 million general obligation bond for facility improvements. More information will come with the 2024-2025 fiscal year.

The Measure Z Bond Program will undergo financial and performance audits on a yearly basis. The bond program will also be overseen by a Measure Z Citizens Bond Oversight Committee (CBOC), which will meet regularly.

**CUPERTINO UNION SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2024**

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**Long-Term Debt**

As of June 30, 2024, the District had a total of \$494.5 million in total long-term debt outstanding, of which \$245.9 million in general obligation bonds and related accreted interest and unamortized premiums, \$195.5 million in net pension liabilities, \$47.7 million in lease liabilities, \$3.6 million in PG & E energy savings loans (LED project) and \$1.8 million in other long-term liabilities. This amount represents a net increase of \$65 million or 15.1% from 2022-2023. The net increase includes a decrease in general obligation bonds and unamortized premiums and increases in accreted interest, compensated absences, PG & E savings loans, and lease and pension liabilities. The following table presents long-term debt for the District at June 30, 2024 and 2023:

	Governmental Activities (in millions)		Percent Changes
	<u>2023</u>	<u>2024</u>	
General Obligation Bonds	\$ 250.6	\$ 235.9	-5.9%
Accreted interest	2.6	2.8	7.7%
Unamortized premiums on GO Bonds	8.7	7.2	-17.2%
Compensated absences	1.3	1.8	38.5%
Lease Liabilities	0.9	47.7	5200%
PG&E Energy savings loans	0.0	3.6	100%
Pension liabilities	<u>165.4</u>	<u>195.5</u>	18.2%
Total long-term debt	<u>\$ 429.5</u>	<u>\$ 494.5</u>	15.1%

**Net Pension Liability (NPL)**

Per GASB 68, districts are required to recognize the STRS and PERS employer costs and obligation for pensions on the financial statements. The STRS state on-behalf pension contribution for the District is calculated to be \$8.8 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 \$195.5 million versus \$165.4 million last year, which represents an increase of \$30.1 million, or 18.2%.

**CUPERTINO UNION SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2024**

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**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 27.7% in 2023-2024, and to 28.3% by 2024-2025, and is projected to continue increasing. 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.

Additional factors bearing on the District's future include the following:

- Solar Project – Electricity power generation to offset the costs of purchasing electricity from the local utility.
- Pacific Gas and Electric (PG&E) LED project – More efficient lighting will further reduce dependency and costs to light District facilities.
- General Obligation Bonds – Capital improvements will help defer the ongoing costs to maintain District facilities.

**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**

CUPERTINO UNION SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
June 30, 2024

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and investments (Note 2)	\$ 144,666,330	\$ 726,390	\$ 145,392,720
Receivables	8,482,099	1,222	8,483,321
Leases receivable (Note 4)	16,611,588	-	16,611,588
Prepaid expenses	3,208,318	1,555	3,209,873
Stores inventory	616,404	-	616,404
Non-depreciable capital assets (Note 5)	18,471,721	-	18,471,721
Depreciable capital assets, net of accumulated depreciation and amortization (Note 5)	<u>186,700,720</u>	<u>-</u>	<u>186,700,720</u>
Total assets	<u>378,757,180</u>	<u>729,167</u>	<u>379,486,347</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources - pensions (Notes 8 and 9)	74,632,191	276,945	74,909,136
Deferred loss from refunding of debt	<u>8,712,241</u>	<u>-</u>	<u>8,712,241</u>
Total deferred outflows	<u>83,344,432</u>	<u>276,945</u>	<u>83,621,377</u>
<b>LIABILITIES</b>			
Accounts payable	20,797,987	16,973	20,814,960
Unearned revenue	2,578,840	314,800	2,893,640
Long-term liabilities (Note 6):			
Due within one year	19,882,476	-	19,882,476
Due after one year	<u>474,060,559</u>	<u>574,000</u>	<u>474,634,559</u>
Total liabilities	<u>517,319,862</u>	<u>905,773</u>	<u>518,225,635</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - pensions (Notes 8 and 9)	30,432,000	-	30,432,000
Deferred inflows of resources - leases	<u>16,611,588</u>	<u>-</u>	<u>16,611,588</u>
Total deferred inflows	<u>47,043,588</u>	<u>-</u>	<u>47,043,588</u>
<b>NET POSITION</b>			
Net investment in capital assets	(45,247,478)	-	(45,247,478)
Restricted:			
Legally restricted programs	32,735,652	-	32,735,652
Capital projects	18,772,653	-	18,772,653
Debt service	22,246,258	-	22,246,258
Unrestricted	<u>(130,768,923)</u>	<u>100,339</u>	<u>(130,668,584)</u>
Total net position	<u>\$ (102,261,838)</u>	<u>\$ 100,339</u>	<u>\$ (102,161,499)</u>

See accompanying notes to financial statements.

**CUPERTINO UNION SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2024

	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>							
Instruction	\$162,376,375	\$ 940,801	\$ 30,848,611	\$10,838,142	\$ (119,748,821)	\$ -	\$(119,748,821)
<b>Instruction-related services:</b>							
Supervision of instruction	12,402,971	31,818	1,434,943	-	(10,936,210)	-	(10,936,210)
Instructional library, media and technology	2,509,222	58,430	576,831	-	(1,873,961)	-	(1,873,961)
School site administration	14,335,467	171	494,593	-	(13,840,703)	-	(13,840,703)
<b>Pupil services:</b>							
Home-to-school transportation	4,126,531	-	2,692	-	(4,123,839)	-	(4,123,839)
Food services	7,973,607	4,061	9,763,725	-	1,794,179	-	1,794,179
All other pupil services	12,770,850	59,527	2,740,054	-	(9,971,269)	-	(9,971,269)
<b>General administration:</b>							
Centralized data processing	5,153,808	-	997,022	-	(4,156,786)	-	(4,156,786)
All other general administration	10,998,796	37,619	1,730,345	-	(9,230,832)	-	(9,230,832)
Plant services	25,343,467	45,197	903,138	-	(24,395,132)	-	(24,395,132)
Ancillary services	28,573	4,361	41,604	-	17,392	-	17,392
Community services	236,773	-	531	-	(236,242)	-	(236,242)
Interest on long-term liabilities	8,672,982	-	-	-	(8,672,982)	-	(8,672,982)
Total governmental activities	<u>266,929,422</u>	<u>1,181,985</u>	<u>49,534,089</u>	<u>10,838,142</u>	<u>(205,375,206)</u>	<u>-</u>	<u>(205,375,206)</u>
<b>Business-type activities:</b>							
Preschool enterprise fund	<u>2,218,714</u>	<u>2,584,564</u>	<u>9,889</u>	<u>-</u>	<u>-</u>	<u>375,739</u>	<u>375,739</u>
Total governmental and business-type activities	<u>\$269,148,136</u>	<u>\$ 3,766,549</u>	<u>\$ 49,543,978</u>	<u>\$10,838,142</u>	<u>\$ (205,375,206)</u>	<u>\$ 375,739</u>	<u>\$(204,999,467)</u>
<b>General revenues:</b>							
<b>Taxes and subventions:</b>							
Taxes levied for general purposes					133,198,792	-	133,198,792
Taxes levied for debt service					23,083,335	-	23,083,335
Taxes levied for other specific purposes					-	-	-
<b>Federal and state aid not restricted to specific purposes</b>							
					36,678,038	-	36,678,038
Interest and investment earnings					4,495,745	30,123	4,525,868
Interagency revenues					24,872	-	24,872
Internal transfers					744,923	(744,923)	-
Lease and rental income					6,442,400	-	6,442,400
Miscellaneous					2,146,838	-	2,146,838
Total general revenues and transfers					<u>206,814,943</u>	<u>(714,800)</u>	<u>206,100,143</u>
Change in net position					1,439,737	(339,061)	1,100,676
Net position, July 1, 2023					<u>(103,701,575)</u>	<u>439,400</u>	<u>(103,262,175)</u>
Net position, June 30, 2024					<u>\$ (102,261,838)</u>	<u>\$ 100,339</u>	<u>\$(102,161,499)</u>

See accompanying notes to financial statements.

CUPERTINO UNION SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2024

	General Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments:					
Cash in County Treasury	\$ 64,593,779	\$ 3,672,112	\$ 22,119,848	\$ 22,350,677	\$ 112,736,416
Cash in revolving fund	75,000	-	-	259	75,259
Cash on hand and in banks	-	-	-	11,130	11,130
Cash with Fiscal Agent	-	31,620,237	-	-	31,620,237
Receivables	6,312,233	569,384	126,410	1,449,449	8,457,476
Leases receivable	-	16,611,588	-	-	16,611,588
Due from other funds	39,856	-	-	-	39,856
Prepaid expenditures	3,208,318	-	-	-	3,208,318
Stores inventory	365,860	-	-	250,544	616,404
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 74,595,046</u>	<u>\$ 52,473,321</u>	<u>\$ 22,246,258</u>	<u>\$ 24,062,059</u>	<u>\$ 173,376,684</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 12,834,045	\$ 702,616	\$ -	\$ 1,541,041	\$ 15,077,702
Unearned revenue	2,442,140	-	-	17,607	2,459,747
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	<u>15,276,185</u>	<u>702,616</u>	<u>-</u>	<u>1,558,648</u>	<u>17,537,449</u>
Deferred inflows of resources - leases					
	<u>-</u>	<u>16,611,588</u>	<u>-</u>	<u>-</u>	<u>16,611,588</u>
Fund balances:					
Nonspendable	3,649,178	-	-	250,803	3,899,981
Restricted	25,466,014	35,159,117	22,246,258	22,252,608	105,123,997
Assigned	22,897,907	-	-	-	22,897,907
Unassigned	7,305,762	-	-	-	7,305,762
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total fund balances	<u>59,318,861</u>	<u>35,159,117</u>	<u>22,246,258</u>	<u>22,503,411</u>	<u>139,227,647</u>
Total liabilities, deferred inflows of resources and fund balances					
	<u>\$ 74,595,046</u>	<u>\$ 52,473,321</u>	<u>\$ 22,246,258</u>	<u>\$ 24,062,059</u>	<u>\$ 173,376,684</u>

See accompanying notes to financial statements.

CUPERTINO UNION SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
June 30, 2024

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Total fund balances - Governmental Funds \$ 139,227,647

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 \$574,290,465 and the accumulated depreciation and amortization is \$369,118,024 (Note 5). 205,172,441

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, 2024 consisted of (Note 6):

General Obligation Bonds	\$ (235,883,302)	
Accreted interest	(2,830,564)	
Unamortized premiums	(7,175,151)	
Net pension liability (Notes 8 and 9)	(194,953,000)	
Compensated absences	(1,840,832)	
PG&E energy savings loans	(3,566,242)	
Lease liabilities	<u>(47,693,944)</u>	(493,943,035)

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. 8,712,241

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	74,632,191	
Deferred inflows of resources relating to pensions	<u>(30,432,000)</u>	44,200,191

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: (5,631,323)

Total net position - governmental activities \$ (102,261,838)

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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, 2024

	General Fund	Building Fund	Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:					
Local Control Funding Formula (LCFF):					
State apportionment	\$ 33,134,394	\$ -	\$ -	\$ -	\$ 33,134,394
Local sources	<u>133,200,042</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>133,200,042</u>
Total LCFF	<u>166,334,436</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>166,334,436</u>
Federal sources	6,548,087	-	-	2,327,294	8,875,381
Other state sources	26,555,215	-	57,614	18,448,230	45,061,059
Other local sources	<u>16,911,215</u>	<u>6,621,733</u>	<u>23,330,562</u>	<u>1,471,271</u>	<u>48,334,781</u>
Total revenues	<u>216,348,953</u>	<u>6,621,733</u>	<u>23,388,176</u>	<u>22,246,795</u>	<u>268,605,657</u>
Expenditures:					
Current:					
Certificated salaries	101,381,046	-	-	-	101,381,046
Classified salaries	42,796,217	76,727	-	2,968,786	45,841,730
Employee benefits	61,621,943	36,364	-	1,273,756	62,932,063
Books and supplies	10,702,851	88,044	-	3,097,695	13,888,590
Contract services and operating expenditures	26,525,945	346,486	-	912,599	27,785,030
Capital outlay	457,675	15,642,708	-	2,486,198	18,586,581
Debt service:					
Principal retirement	7,199	424,898	14,665,000	-	15,097,097
Interest	<u>-</u>	<u>46,066</u>	<u>6,984,450</u>	<u>-</u>	<u>7,030,516</u>
Total expenditures	<u>243,492,876</u>	<u>16,661,293</u>	<u>21,649,450</u>	<u>10,739,034</u>	<u>292,542,653</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(27,143,923)</u>	<u>(10,039,560)</u>	<u>1,738,726</u>	<u>11,507,761</u>	<u>(23,936,996)</u>
Other financing sources (uses):					
Transfers in	11,425,092	-	-	-	11,425,092
Transfers out	-	(5,361,593)	-	(260,700)	(5,622,293)
Proceeds from issuance of debt	3,573,441	-	-	-	3,573,441
Proceeds from solar lease	<u>-</u>	<u>47,190,429</u>	<u>-</u>	<u>-</u>	<u>47,190,429</u>
Total other financing sources (uses)	<u>14,998,533</u>	<u>41,828,836</u>	<u>-</u>	<u>(260,700)</u>	<u>56,566,669</u>
Net change in fund balances	(12,145,390)	31,789,276	1,738,726	11,247,061	32,629,673
Fund balances, July 1, 2023	<u>71,464,251</u>	<u>3,369,841</u>	<u>20,507,532</u>	<u>11,256,350</u>	<u>106,597,974</u>
Fund balances, June 30, 2024	<u>\$ 59,318,861</u>	<u>\$ 35,159,117</u>	<u>\$ 22,246,258</u>	<u>\$ 22,503,411</u>	<u>\$ 139,227,647</u>

See accompanying notes to financial statements.

CUPERTINO UNION SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2024

Net change in fund balances - Total Governmental Funds		\$ 32,629,673
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 5).	\$ 12,606,869	
Increases to lease assets resulting from modifications to leases are shown as increases in the statement of net position (Note 5).	3,681,932	
Depreciation and amortization of capital assets is an expense that is not recorded in governmental funds (Note 5).	(15,338,380)	
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 6).	15,097,097	
In the governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. (Note 6).	(50,763,870)	
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 6).	(185,660)	
In governmental funds, debt issued at a premium is recognized as an other financing source. In the government-wide statements debt issued at a premium is amortized with interest over the life of the debt (Note 6).	1,559,878	
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.	197,220	
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:	8,442,671	
Activities of the internal service funds are reported with governmental activities.	(4,965,490)	
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 6).	(632,560)	
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)	(31,189,936)
Change in net position of governmental activities	\$ 1,439,737	

See accompanying notes to financial statements.

CUPERTINO UNION SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2024

	<u>Business-Type Activities Enterprise Fund Preschool Fund</u>	<u>Governmental Activities Internal Service Fund Self-Insurance</u>
<b>ASSETS</b>		
Current Assets:		
Cash and investments (Note 2):		
Cash in County Treasury	\$ 726,390	\$ -
Cash on hand and in banks	-	46,492
Cash with fiscal agent	-	176,796
Prepaid expenses	1,555	-
Receivables	1,222	24,623
Total assets	729,167	247,911
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows of resources related to pensions	276,945	-
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	16,973	88,962
Due to other funds (Note 3)	-	39,856
Unearned revenue	314,800	119,093
Current liabilities	331,773	247,911
Non-Current Liabilities		
Net pension liability (Note 9)	574,000	-
Total liabilities	905,773	247,911
<b>NET POSITION</b>		
Unrestricted	\$ 100,339	\$ -

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, 2024

	<u>Business-Type Activities Enterprise Fund Preschool Fund</u>	<u>Governmental Activities Internal Service Fund Self-Insurance</u>
Operating revenues:		
In-district premiums	\$ -	\$ 24,426,854
All other state revenues	9,889	-
User charges	<u>2,584,564</u>	<u>-</u>
Total operating revenues	<u>2,594,453</u>	<u>24,426,854</u>
Operating expenses:		
Certificated salaries	111,515	-
Classified salaries	1,372,706	-
Employee benefits	661,589	-
Books and supplies	65,646	84
Contract services and operating expense	7,258	175,014
Insurance premiums and claims expense	<u>-</u>	<u>24,329,240</u>
Total operating expenses	<u>2,218,714</u>	<u>24,504,338</u>
Operating income (loss)	<u>375,739</u>	<u>(77,484)</u>
Non-operating revenue:		
Interest income	-	169,870
Net increase in fair value of Cash in County Treasury	<u>30,123</u>	<u>-</u>
Total non-operating revenue	<u>30,123</u>	<u>169,870</u>
Income before transfers	405,862	92,386
Transfers to other funds	<u>(744,923)</u>	<u>(5,057,876)</u>
Change in Net Position	(339,061)	(4,965,490)
Net Position - Beginning	<u>439,400</u>	<u>4,965,490</u>
Net Position - Ending	<u><u>\$ 100,339</u></u>	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

CUPERTINO UNION SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
For the Year Ended June 30, 2024

	<u>Business-Type Activities Enterprise Fund Preschool Fund</u>	<u>Governmental Activities Internal Service Fund Self-Insurance</u>
Cash flows from operating activities:		
Cash received from user charges and other funds	\$ 2,729,963	\$ 23,639,541
Cash payments to employees for services	(2,176,085)	(175,014)
Cash payments for insurance claims and premium expense	-	(26,644,788)
Cash payments to suppliers for goods and services	<u>(46,625)</u>	<u>(84)</u>
Net cash provided by (used in) operating activities	<u>507,253</u>	<u>(3,180,345)</u>
Cash flows from investing activities:		
Interest income	-	169,870
Change in fair market value	<u>30,123</u>	<u>-</u>
Net cash (used in) provided by investing activities	<u>30,123</u>	<u>169,870</u>
Cash flows from financing activities:		
Transfers to other funds	<u>(744,923)</u>	<u>(5,057,876)</u>
Net cash used in financing activities	<u>(744,923)</u>	<u>(5,057,876)</u>
Net change in cash and cash equivalents	(207,547)	(8,068,351)
Cash and cash equivalents, July 1, 2023	<u>933,937</u>	<u>8,291,639</u>
Cash and cash equivalents, June 30, 2024	<u>\$ 726,390</u>	<u>\$ 223,288</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 375,739	\$ (77,484)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
(Increase) decrease in:		
Receivables	90,693	79,166
Prepaid expenses	33,187	-
Deferred outflows	(59,000)	-
Increase (decrease) in:		
Net pension liability	76,000	-
Self-insurance claim liability	-	(1,900,000)
Deferred inflows	(47,275)	-
Accounts payable	(6,908)	(415,548)
Due to other funds	(43,803)	39,721
Unearned revenue	<u>88,620</u>	<u>(906,200)</u>
Net cash provided by (used in) operating activities	<u>\$ 507,253</u>	<u>\$ (3,180,345)</u>

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 and amortization expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term liabilities is considered an indirect expense and is reported separately on the Statement of Activities.

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

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(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2024

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**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 funds are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

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

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

**B - Other Funds**

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

*Capital 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.

*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.

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.

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, 2024.

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(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2024

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

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 also a lessor for leases of its own property to others. 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.

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.

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(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2024

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

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

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

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	\$ 47,888,986	\$ 27,020,150	\$ 74,909,136
Deferred inflows of resources	\$ 26,813,000	\$ 3,619,000	\$ 30,432,000
Net pension liability	\$ 115,302,000	\$ 80,225,000	\$ 195,527,000
Pension expense	\$ 19,779,361	\$ 10,723,376	\$ 30,502,737

The District allocated approximately 0.72 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 \$1,840,832 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.

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.

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(Continued)

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

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

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, 2024, 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, 2024 no formal designation of assignment authority has occurred and the Board of Education retains ultimate authority for assigning fund balance.

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

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

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

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(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2024

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

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, 2024, 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.

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(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2024

**NOTE 2 - CASH AND INVESTMENTS**

Cash and investments at June 30, 2024 consisted of the following:

	Governmental Activities			Business-Type Activities
	Governmental Funds	Internal Service Fund	Total	
Pooled Funds:				
Cash in County Treasury	\$ 112,736,416	\$ -	\$ 112,736,416	\$ 726,390
Deposits:				
Cash in revolving fund	75,259	-	75,259	-
Cash on hand and in banks	11,130	46,492	57,622	-
Cash with Fiscal Agent	31,620,237	176,796	31,797,033	-
Total cash and Investments	\$ 144,443,042	\$ 223,288	\$ 144,666,330	\$ 726,390

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 an involuntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

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, 2024, the carrying amount of the District's accounts was \$132,881 and the bank balances totaled \$368,128, of which \$255,323 was insured by the FDIC, and \$112,805 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, 2024, 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, 2024, 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, 2024, the District had no concentration of credit risk.

(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2024

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**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, 2024 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Governmental Activities:</u>		
Major Fund:		
General	\$ 39,856	\$ -
Internal Service Fund:		
Self-Insurance	-	39,856
Totals	\$ 39,856	\$ 39,856

Transfers: Transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Transfers for the 2023-24 fiscal year were as follows:

Transfer from the Building Fund to the General Fund for Routine Restricted Maintenance Account contribution.	\$ 5,361,593
Transfer from the Cafeteria Fund to the General Fund for indirect cost support.	260,700
Transfer from the Self-Insurance Fund to the General Fund for the return of funds due to closure of self-insured activities.	5,057,876
Transfer from the Preschool Enterprise Fund to the General Fund for the return of previously provided operational support.	744,923
	\$ 11,425,092

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(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2024

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**NOTE 4 – LEASES RECEIVABLE**

The District leases out various buildings and land sites to third parties. Lease terms vary, and some contain one or more renewal options. The District has generally included these renewal periods in the lease term when it is reasonably certain that the lessee will exercise the renewal option. The District's lease arrangements do not contain any material residual value guarantees. As an explicit interest rate was not readily determinable, the District utilizes its incremental borrowing rate to report the lease payments at their net present value. As of June 30, 2024, the District recognized \$6,890,914 in leases receivable and \$6,534,625 in related deferred inflows of resources for these leases.

Minimum lease payments receivable on leases of District properties are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 1,092,052	\$ 2,313,267	\$ 3,405,319
2026	1,321,085	2,175,410	3,496,495
2027	1,593,445	2,000,299	3,593,744
2028	1,631,291	1,781,617	3,412,908
2029	2,013,916	1,511,324	3,525,240
2030-2033	<u>8,959,799</u>	<u>2,254,095</u>	<u>11,213,894</u>
	<u>\$ 16,611,588</u>	<u>\$ 12,036,012</u>	<u>\$ 28,647,600</u>

During the year ended June 30, 2024, the District recognized \$869,292 in lease revenue and \$2,419,404 in interest income related to these agreements.

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(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2024

**NOTE 5 - CAPITAL ASSETS**

A schedule of changes in capital assets for the year ended June 30, 2024 is shown below:

	Balance July 1, <u>2023</u>	Transfers and <u>Additions</u>	Transfers and <u>Deletions</u>	Balance June 30, <u>2024</u>
Non-depreciable:				
Land	\$ 8,698,688	\$ -	\$ -	\$ 8,698,688
Work-in-process	38,531	9,771,133	(36,631)	9,773,033
Depreciable:				
Buildings	502,830,542	2,138,842	-	504,969,384
Improvement of sites	37,268,135	26,218	-	37,294,353
Equipment	7,285,608	707,307	-	7,992,915
Totals, at cost	<u>556,121,504</u>	<u>12,643,500</u>	<u>(36,631)</u>	<u>568,728,373</u>
Less accumulated depreciation:				
Buildings	(323,395,950)	(13,272,001)	-	(336,667,951)
Improvement of sites	(23,621,630)	(1,264,950)	-	(24,886,580)
Equipment	(5,821,984)	(331,389)	-	(6,153,373)
Total accumulated depreciation	<u>(352,839,564)</u>	<u>(14,868,340)</u>	<u>-</u>	<u>(367,707,904)</u>
Lease assets:				
Buildings, at cost	<u>1,880,160</u>	<u>3,681,932</u>	<u>-</u>	<u>5,562,092</u>
Accumulated lease amortization:				
Buildings	<u>(940,080)</u>	<u>(470,040)</u>	<u>-</u>	<u>(1,410,120)</u>
Total lease assets, net	<u>940,080</u>	<u>3,211,892</u>	<u>-</u>	<u>4,151,972</u>
Capital assets, net	<u>\$ 204,222,020</u>	<u>\$ 987,052</u>	<u>\$ (36,631)</u>	<u>\$ 205,172,441</u>

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

Instruction	\$ 14,183,474
Home-to-school transportation	272,312
Food services	59,063
Data processing	109,468
General administration	470,040
Plant services	<u>244,023</u>
Total depreciation and amortization expense	<u>\$ 15,338,380</u>

(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2024

**NOTE 6 - LONG-TERM LIABILITIES**

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

<u>Series</u>	<u>Interest Rate %</u>	<u>Fiscal Year Maturity</u>	<u>Amount of Original Issuance</u>	<u>Outstanding July 1, 2023</u>	<u>Current Year Proceeds</u>	<u>Current Year Redemptions</u>	<u>Outstanding June 30, 2024</u>
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
2013 GO Refunding Bonds, Series A	5.0%	2028	35,485,000	2,450,000	-	2,450,000	-
2013 GO Refunding Bonds, Series B	2.0-4.0%	2025	22,320,000	1,345,000	-	1,345,000	-
Election of 2012, Series B	2.0-5.0%	2039	99,995,000	3,775,000	-	1,750,000	2,025,000
Election of 2012, Series C	3.0-5.0%	2041	55,000,000	45,830,000	-	180,000	45,650,000
2016 GO Refunding Bonds	3.0-5.0%	2035	25,090,000	21,090,000	-	3,635,000	17,455,000
Election of 2012, Series D	2.5-5.0%	2041	15,005,000	14,580,000	-	215,000	14,365,000
2019 GO Refunding Bonds	1.7%-3.0%	2038	120,535,000	112,530,000	-	3,375,000	109,155,000
2020 GO Refunding Bonds	0.249-2.594%	2039	49,535,000	47,530,000	-	1,715,000	45,815,000
Total				<u>\$ 250,548,302</u>	<u>\$ -</u>	<u>\$ 14,665,000</u>	<u>\$ 235,883,302</u>

(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2024

**NOTE 6 - LONG-TERM LIABILITIES** (Continued)

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

Year Ending June 30,	Principal	Interest	Total
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	8,385,262	6,606,239	14,991,501
2030-2034	59,869,615	23,790,061	83,659,676
2035-2039	73,010,000	12,307,921	85,317,921
2040-2041	28,555,000	1,666,450	30,221,450
Totals	<u>\$ 235,883,302</u>	<u>\$ 71,673,075</u>	<u>\$ 307,556,377</u>

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, 2024, are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 429,166	\$ 41,798	\$ 470,964
2026	433,478	37,486	470,964
2027	437,832	33,132	470,964
2028	498,933	28,542	527,475
2029	522,938	23,374	546,312
2030-2033	2,053,726	40,470	2,094,196
Totals	<u>\$ 4,376,073</u>	<u>\$ 204,802</u>	<u>\$ 4,580,875</u>

The District also entered into an agreement to construct solar improvements at various school sites within the District. The lease agreement includes a stated interest rate of 3.072% per annum with semi-annual payments through June 1, 2033. The annual requirements to amortize the solar lease are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ -	\$ 2,041,584	\$ 2,041,584
2026	721,629	2,088,778	2,810,407
2027	8,182,427	1,860,664	10,043,091
2028	629,105	1,647,052	2,276,157
2029	758,180	1,613,874	2,372,054
2030-2034	5,908,103	7,358,985	13,267,088
2035-2039	10,309,097	5,417,202	15,726,299
2040-2044	16,809,330	2,137,172	18,946,502
Totals	<u>\$ 43,317,871</u>	<u>\$ 24,165,311</u>	<u>\$ 67,483,182</u>

(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2024

**NOTE 6 - LONG-TERM LIABILITIES** (Continued)

**PG&E Energy Savings Loans:** The District entered into a long-term agreement with Pacific Gas and Electric (PG&E) to install energy efficient light fixtures at various school sites. The following is a schedule of future payments for the PG&E energy savings loans:

Year Ending <u>June 30,</u>	<u>Payment</u>
2025	\$ 385,308
2026	455,160
2027	455,160
2028	455,160
2029	455,160
2030-2034	<u>1,360,294</u>
<b>Totals</b>	<b>\$ <u>3,566,242</u></b>

**Schedule of Changes in Long-Term Liabilities:** A schedule of changes in long-term liabilities for the year ended June 30, 2024 is shown below:

	<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2024</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<u>Government activities</u>					
<i>Debt:</i>					
General Obligation Bonds	\$ 250,548,302	\$ -	\$ 14,665,000	\$ 235,883,302	\$ 15,930,000
Accreted interest	2,644,904	185,660	-	2,830,564	-
Unamortized premiums	8,735,029	-	1,559,878	7,175,151	1,297,170
<i>Other long-term liabilities :</i>					
Net pension liability (Notes 7 and 8)	164,904,000	30,049,000	-	194,953,000	-
Compensated absences	1,208,272	632,560	-	1,840,832	1,840,832
PG&E energy savings loans	-	3,573,441	7,199	3,566,242	385,308
Lease liabilities	<u>928,413</u>	<u>47,190,429</u>	<u>424,898</u>	<u>47,693,944</u>	<u>429,166</u>
Subtotal Governmental Activities	<u>428,968,920</u>	<u>81,631,090</u>	<u>16,656,975</u>	<u>493,943,035</u>	<u>19,882,476</u>
<u>Business-type activities</u>					
Net pension liability (Notes 7 and 8)	<u>498,000</u>	<u>76,000</u>	<u>-</u>	<u>574,000</u>	<u>-</u>
<b>Totals</b>	<b>\$ <u>429,466,920</u></b>	<b>\$ <u>81,707,090</u></b>	<b>\$ <u>16,656,975</u></b>	<b>\$ <u>494,517,035</u></b>	<b>\$ <u>19,882,476</u></b>

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on the PG&E energy savings loans are made from the General Fund. Payments on the lease liabilities are made from the Building Fund. Payments for the net pension liability and compensated absences are made from the funds which the respective employee worked.

(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2024

**NOTE 7 - FUND BALANCES**

Fund balances, by category, at June 30, 2024 consisted of the following:

	General <u>Fund</u>	Building <u>Fund</u>	Bond Interest and Redemption <u>Fund</u>	Non-Major Governmental <u>Funds</u>	<u>Total</u>
Nonspendable:					
Revolving cash fund	\$ 75,000	\$ -	\$ -	\$ 259	\$ 75,259
Stores inventory	365,860	-	-	250,544	616,404
Prepaid expenditures	<u>3,208,318</u>	-	-	-	<u>3,208,318</u>
Subtotal nonspendable	<u>3,649,178</u>	-	-	<u>250,803</u>	<u>3,899,981</u>
Restricted:					
Legally restricted:					
Grants	25,466,014	-	-	-	25,466,014
Cafeteria operations	-	-	-	7,018,835	7,018,835
Capital projects	-	35,159,117	-	15,233,773	50,392,890
Debt service	-	-	<u>22,246,258</u>	-	<u>22,246,258</u>
Subtotal restricted	<u>25,466,014</u>	<u>35,159,117</u>	<u>22,246,258</u>	<u>22,252,608</u>	<u>105,123,997</u>
Assigned:					
Additional reserves per the					
Board of Trustees	16,313,205	-	-	-	16,313,205
Mandated block grants	5,349,100	-	-	-	5,349,100
Instructional materials	<u>1,235,602</u>	-	-	-	<u>1,235,602</u>
Subtotal assigned	<u>22,897,907</u>	-	-	-	<u>22,897,907</u>
Unassigned:					
Designated for economic uncertainty	<u>7,305,762</u>	-	-	-	<u>7,305,762</u>
Total fund balances	<u>\$ 59,318,861</u>	<u>\$ 35,159,117</u>	<u>\$ 22,246,258</u>	<u>\$ 22,503,411</u>	<u>\$ 139,227,647</u>

(Continued)

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

### *General Information about the State Teachers' Retirement Plan*

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

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(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2024

**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 established a schedule of contribution rate increases shared among members, employers and the State of California to bring CalSTRS toward full funding by 2046. Under the CalSTRS Funding Plan, authority to adjust contribution rates annually within approved ranges was delegated to the Board of CalSTRS.

A summary of statutory contribution rates and other sources of contributions to the DB Program pursuant to the CalSTRS Funding Plan 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, 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, 2022, valuation adopted by the CalSTRS board in May 2023, 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, 2023.

*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.

The CalSTRS Funding Plan authorizes 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 2023, the CalSTRS board voted to keep the employer supplemental contribution rate at 10.85% for fiscal year 2023–24 for a total employer contribution rate of 19.10%.

The CalSTRS employer contribution rates effective for fiscal year 2023-24 through fiscal year 2046-47 are summarized in the table below:

<u>Effective Date</u>	<u>Base Rate</u>	<u>Supplemental Rate Per CalSTRS Funding Plan</u>	<u>Total</u>
July 1, 2023	8.250%	10.850%	19.100%
July 1, 2024 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 \$18,863,986 to the plan for the fiscal year ended June 30, 2024.

*State* – The state is required to contribute 10.828 percent of the members' creditable compensation from the two fiscal years prior.

(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2024

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

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 2023, 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%.

The CalSTRS state contribution rates effective for fiscal year 2023-24 and beyond are summarized in the table below.

<u>Effective Date</u>	<u>Base Rate</u>	<u>Supplemental Rate Per CalSTRS Funding Plan</u>	<u>SBMA Funding<sup>(1)</sup></u>	<u>Total</u>
July 01, 2023	2.017%	6.311%	2.50%	10.828%
July 01, 2024 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, 2024, 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	\$ 115,302,000
State's proportionate share of the net pension liability associated with the District	<u>55,245,000</u>
Total	<u>\$ 170,547,000</u>

The net pension liability was measured as of June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 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, 2024, the District's proportion was 0.151 percent, which was an increase of 0.025 percent from its proportion at June 30, 2023.

(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2024

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

For the year ended June 30, 2024, the District recognized pension expense of \$19,779,361 and revenue of \$8,284,547 for support provided by the State. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 9,061,000	\$ 6,169,000
Changes of assumptions	668,000	-
Net differences between projected and actual earnings on investments	494,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	18,802,000	20,644,000
Contributions made subsequent to measurement date	<u>18,863,986</u>	<u>-</u>
Total	<u>\$ 47,888,986</u>	<u>\$ 26,813,000</u>

\$18,863,986 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>		
2025	\$	(5,458,883)
2026	\$	(7,140,883)
2027	\$	6,886,114
2028	\$	348,118
2029	\$	3,400,867
2030	\$	4,176,667

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, 2023 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.

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(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2024

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**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 the actuarial valuation as of June 30, 2022 and rolling forward the total pension liability to June 30, 2023. The actuarial valuation as of June 30, 2022 used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2022
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

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.

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(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2024

**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:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Public Equity	38%	5.25%
Real Estate	15	4.05
Private Equity	14	6.75
Fixed Income	14	2.45
Risk Mitigating Strategies	10	2.25
Inflation Sensitive	7	3.65
Cash / Liquidity	2	(0.405)

\* 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 <u>(6.10%)</u>	Current Discount Rate <u>(7.10%)</u>	1% Increase <u>(8.10%)</u>
District's proportionate share of the net pension liability	<u>\$ 193,410,000</u>	<u>\$ 115,302,000</u>	<u>\$ 50,424,000</u>

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

(Continued)

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

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

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

The Plan was established to provide retirement, death and disability benefits to non-teaching and 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-2023.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, 2024 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 \$11,827,150 to the plan for the fiscal year ended June 30, 2024.

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

At June 30, 2024, the District reported a liability of \$80,225,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022. 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, 2024, the District's proportion was 0.222 percent, which was a decrease of 0.004 percent from its proportion at June 30, 2023.

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(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2024

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

For the year ended June 30, 2024, the District recognized pension expense of \$10,723,376. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 2,928,000	\$ 1,232,000
Changes of assumptions	3,696,000	-
Net differences between projected and actual earnings on investments	8,569,000	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	2,387,000
Contributions made subsequent to measurement date	<u>11,827,150</u>	<u>-</u>
Total	<u>\$ 27,020,150</u>	<u>\$ 3,619,000</u>

\$11,827,150 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	
2025	\$ 2,360,167
2026	\$ 2,490,167
2027	\$ 6,457,166
2028	\$ 266,500

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 expected average remaining service life of plan members, which was 3.8 years as of the June 30, 2023 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.

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(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2024

**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 the actuarial valuation as of June 30, 2022 and rolling forward the total pension liability to June 30, 2023. The actuarial valuation as of June 30, 2022, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2022
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, 2022 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.

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

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

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

(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2024

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

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

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

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

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

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
District’s proportionate share of the net pension liability	<u>\$ 115,985,000</u>	<u>\$ 80,225,000</u>	<u>\$ 50,671,000</u>

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

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(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2024

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**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. 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, 2023 (the latest information available):

	<u>NCRLF</u>	<u>SCCSIG</u>
Total assets	\$ 81,707,224	\$ 31,275,255
Total deferred outflows	\$ -	\$ 492,459
Total liabilities	\$ 50,359,446	\$ 9,066,895
Total deferred inflows	\$ -	\$ 96,767
Total net position	\$ 31,347,778	\$ 22,604,052
Total revenues	\$ 92,548,059	\$ 48,487,201
Total expenditures	\$ 94,359,242	\$ 47,803,714
Change in net position	\$ (1,811,183)	\$ 683,487

**NOTE 11 – COMMITMENTS AND CONTINGENCIES**

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

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

As of June 30, 2024, the District had approximately \$35.8 million in outstanding commitments on capital-related construction contracts.

**NOTE 12 – SUBSEQUENT EVENT**

On August 4, 2024, the District issued Tax and Revenue Anticipation Notes (TRANS) totaling \$20,000,000, with an interest rate of 4.5%. The TRANS are repaid from property taxes, other revenues cash receipt, or other funds received by the District for its General Fund and are attributable to the fiscal year 2024-25 and legally available for payment thereof. The TRANS are secured by a pledge of certain unrestricted revenues received by the District issuing such TRANS for its General Fund attributable to the fiscal year 2024-25, and the TRANS constitute a first lien and charge payable from the first monies received by the District from such pledged revenues. The TRANS are scheduled to mature on June 27, 2025.

**REQUIRED SUPPLEMENTARY INFORMATION**

CUPERTINO UNION SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended June 30, 2024

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues:				
Local Control Funding Formula (LCFF):				
State apportionment	\$ 44,171,954	\$ 33,134,394	\$ 33,134,394	\$ -
Local sources	<u>127,828,790</u>	<u>133,200,042</u>	<u>133,200,042</u>	<u>-</u>
Total LCFF	<u>172,000,744</u>	<u>166,334,436</u>	<u>166,334,436</u>	<u>-</u>
Federal sources	7,460,244	6,548,087	6,548,087	-
Other state sources	20,245,477	26,555,215	26,555,215	-
Other local sources	<u>7,323,785</u>	<u>16,911,215</u>	<u>16,911,215</u>	<u>-</u>
Total revenues	<u>207,030,250</u>	<u>216,348,953</u>	<u>216,348,953</u>	<u>-</u>
Expenditures:				
Current:				
Certificated salaries	91,062,126	101,381,046	101,381,046	-
Classified salaries	39,894,337	42,796,217	42,796,217	-
Employee benefits	54,482,199	61,621,943	61,621,943	-
Books and supplies	15,240,773	10,702,851	10,702,851	-
Contract services and operating expenditures	20,976,811	22,952,504	26,525,945	(3,573,441)
Capital outlay	1,496,763	457,675	457,675	-
Debt service:				
Principal retirement	<u>-</u>	<u>7,199</u>	<u>7,199</u>	<u>-</u>
Total expenditures	<u>223,153,009</u>	<u>239,919,435</u>	<u>243,492,876</u>	<u>(3,573,441)</u>
Deficiency of revenues under expenditures	<u>(16,122,759)</u>	<u>(23,570,482)</u>	<u>(27,143,923)</u>	<u>(3,573,441)</u>
Other financing sources:				
Transfers in	5,744,700	11,425,092	11,425,092	-
Proceeds from issuance of debt	<u>-</u>	<u>-</u>	<u>3,573,441</u>	<u>3,573,441</u>
Total other financing sources	<u>5,744,700</u>	<u>11,425,092</u>	<u>14,998,533</u>	<u>3,573,441</u>
Net change in fund balance	(10,378,059)	(12,145,390)	(12,145,390)	-
Fund balance, July 1, 2023	<u>71,464,251</u>	<u>71,464,251</u>	<u>71,464,251</u>	<u>-</u>
Fund balance, June 30, 2024	<u>\$ 61,086,192</u>	<u>\$ 59,318,861</u>	<u>\$ 59,318,861</u>	<u>\$ -</u>

See accompanying note to required supplementary information.

CUPERTINO UNION SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
For the Year Ended June 30, 2024

State Teachers' Retirement Plan  
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
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%	0.151%
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	\$ 115,302,000
State's proportionate share of the net pension liability associated with the District	<u>61,357,596</u>	<u>61,122,863</u>	<u>82,131,686</u>	<u>89,115,549</u>	<u>84,084,579</u>	<u>84,617,000</u>	<u>80,630,000</u>	<u>35,200,000</u>	<u>49,632,000</u>	<u>55,245,000</u>
Total net pension liability	<u>\$ 162,969,403</u>	<u>\$ 176,691,110</u>	<u>\$ 226,404,054</u>	<u>\$ 239,752,502</u>	<u>\$ 230,945,208</u>	<u>\$ 239,715,000</u>	<u>\$ 228,171,000</u>	<u>\$ 94,362,000</u>	<u>\$ 137,442,000</u>	<u>\$ 170,547,000</u>
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	\$ 87,455,000
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%	131.84%
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%	80.62%

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

(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
For the Year Ended June 30, 2024

	Public Employer's Retirement Fund B Last 10 Fiscal Years									
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
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%	0.222%
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	\$ 80,225,000
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	\$ 38,232,000
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%	209.10%
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%	69.96%

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

See accompanying note to required supplementary information.

CUPERTINO UNION SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
For the Year Ended June 30, 2024

State Teacher's Retirement Plan  
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
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	\$ 18,863,986
Contributions in relation to the contractually required contribution	<u>(7,336,518)</u>	<u>(9,448,353)</u>	<u>(10,860,869)</u>	<u>(12,811,249)</u>	<u>(14,487,628)</u>	<u>(14,855,938)</u>	<u>(13,698,851)</u>	<u>(14,401,489)</u>	<u>(16,703,814)</u>	<u>(18,863,986)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 82,554,422	\$ 88,417,903	\$ 86,675,128	\$ 89,140,788	\$ 89,116,000	\$ 86,877,000	\$ 84,823,000	\$ 85,115,000	\$ 87,455,000	\$ 98,764,000
Contributions as a percentage of covered payroll	8.88%	10.69%	12.53%	14.37%	16.26%	17.10% *	16.15%**	16.92%***	19.10%	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.

(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
For the Year Ended June 30, 2024

Public Employer's Retirement Fund B  
Last 10 Fiscal Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
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	\$ 11,827,150
Contributions in relation to the contractually required contribution	<u>(3,492,854)</u>	<u>(3,807,253)</u>	<u>(4,679,943)</u>	<u>(5,361,054)</u>	<u>(6,326,946)</u>	<u>(6,872,223)</u>	<u>(6,873,111)</u>	<u>(8,072,853)</u>	<u>(9,699,376)</u>	<u>(11,827,150)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 30,455,001	\$ 32,076,564	\$ 33,676,227	\$ 34,519,708	\$ 34,949,000	\$ 34,849,000	\$ 33,196,000	\$ 35,237,000	\$ 38,232,000	\$ 44,330,000
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%	26.68%

See accompanying note to required supplementary information.

CUPERTINO UNION SCHOOL DISTRICT  
 NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
 For the Year Ended June 30, 2024

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**NOTE 1 - PURPOSE OF SCHEDULES**

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

Schedule of the District's Proportionate Share of the Net Pension Liability: The Schedule of the District's Proportionate Share of the Net Pension Liability is presented to illustrate the elements of the District's Net Pension Liability. There is a requirement to show information for 10 years.

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.

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

Changes of Assumptions: The following are the assumptions for the Public Employer's Retirement Fund B (PERF B) Plan:

<u>Assumption</u>	<u>Measurement Period</u>								
	<u>As of June 30, 2023</u>	<u>As of June 30, 2022</u>	<u>As of June 30, 2021</u>	<u>As of June 30, 2020</u>	<u>As of June 30, 2019</u>	<u>As of June 30, 2018</u>	<u>As of June 30, 2017</u>	<u>As of June 30, 2016</u>	<u>As of June 30, 2015</u>
Inflation rate	2.30%	2.30%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Discount rate	6.90%	6.90%	7.15%	7.15%	7.15%	7.15%	7.65%	7.65%	7.50%

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

<u>Assumption</u>	<u>Measurement Period</u>								
	<u>As of June 30, 2023</u>	<u>As of June 30, 2022</u>	<u>As of June 30, 2021</u>	<u>As of June 30, 2020</u>	<u>As of June 30, 2019</u>	<u>As of June 30, 2018</u>	<u>As of June 30, 2017</u>	<u>As of June 30, 2016</u>	<u>As of June 30, 2015</u>
Consumer price inflation	2.75%	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%	7.10%	7.60%	7.60%
Wage growth	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.75%	3.75%	3.75%

**SUPPLEMENTARY INFORMATION**

CUPERTINO UNION SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 ALL NON-MAJOR FUNDS  
 June 30, 2024

	<u>Cafeteria Fund</u>	<u>Capital Facilities Fund</u>	<u>County School Facilities Fund</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and investments:				
Cash in County Treasury	\$ 5,649,520	\$ 5,034,018	\$ 11,667,139	\$ 22,350,677
Cash in revolving fund	259	-	-	259
Cash on hand and in banks	11,130	-	-	11,130
Receivables	1,400,845	48,600	4	1,449,449
Stores inventory	<u>250,544</u>	<u>-</u>	<u>-</u>	<u>250,544</u>
Total assets	<u>\$ 7,312,298</u>	<u>\$ 5,082,618</u>	<u>\$ 11,667,143</u>	<u>\$ 24,062,059</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 25,053	\$ 7,915	\$ 1,508,073	\$ 1,541,041
Unearned revenue	<u>17,607</u>	<u>-</u>	<u>-</u>	<u>17,607</u>
Total liabilities	<u>42,660</u>	<u>7,915</u>	<u>1,508,073</u>	<u>1,558,648</u>
Fund balances:				
Nonspendable	250,803	-	-	250,803
Restricted	<u>7,018,835</u>	<u>5,074,703</u>	<u>10,159,070</u>	<u>22,252,608</u>
Total fund balance	<u>7,269,638</u>	<u>5,074,703</u>	<u>10,159,070</u>	<u>22,503,411</u>
Total liabilities and fund balances	<u>\$ 7,312,298</u>	<u>\$ 5,082,618</u>	<u>\$ 11,667,143</u>	<u>\$ 24,062,059</u>

CUPERTINO UNION SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES  
 ALL NON-MAJOR FUNDS  
 For the Year Ended June 30, 2024

	<u>Cafeteria Fund</u>	<u>Capital Facilities Fund</u>	<u>County School Facilities Fund</u>	<u>Total</u>
Revenues:				
Federal sources	\$ 2,327,294	\$ -	\$ -	\$ 2,327,294
Other state sources	7,481,044	-	10,967,186	18,448,230
Other local sources	<u>214,707</u>	<u>1,385,608</u>	<u>(129,044)</u>	<u>1,471,271</u>
Total revenues	<u>10,023,045</u>	<u>1,385,608</u>	<u>10,838,142</u>	<u>22,246,795</u>
Expenditures:				
Current:				
Classified salaries	2,968,786	-	-	2,968,786
Employee benefits	1,273,756	-	-	1,273,756
Books and supplies	3,097,553	142	-	3,097,695
Contract services and operating expenditures	472,569	419,491	20,539	912,599
Capital outlay	<u>194,080</u>	<u>18,920</u>	<u>2,273,198</u>	<u>2,486,198</u>
Total expenditures	<u>8,006,744</u>	<u>438,553</u>	<u>2,293,737</u>	<u>10,739,034</u>
Excess of revenues over expenditures	<u>2,016,301</u>	<u>947,055</u>	<u>8,544,405</u>	<u>11,507,761</u>
Other financing uses:				
Transfers out	<u>(260,700)</u>	<u>-</u>	<u>-</u>	<u>(260,700)</u>
Change in fund balances	1,755,601	947,055	8,544,405	11,247,061
Fund balance, July 1, 2023	<u>5,514,037</u>	<u>4,127,648</u>	<u>1,614,665</u>	<u>11,256,350</u>
Fund balance, June 30, 2024	<u>\$ 7,269,638</u>	<u>\$ 5,074,703</u>	<u>\$ 10,159,070</u>	<u>\$ 22,503,411</u>

See accompanying notes to supplementary information

CUPERTINO UNION SCHOOL DISTRICT  
SCHEDULE OF AVERAGE DAILY ATTENDANCE  
June 30, 2024

	<u>Second Period Report</u>	<u>Annual Report</u>
Certificate #:	<u>5979E7BB</u>	<u>198907DF</u>
Elementary:		
Transitional Kindergarten through Third	5,594	5,603
Fourth through Sixth	4,333	4,339
Seventh and Eighth	<u>3,148</u>	<u>3,145</u>
Total Elementary	<u>13,075</u>	<u>13,087</u>
Extended Year Special Education		
Transitional Kindergarten through Third	6	6
Fourth through Sixth	4	4
Seventh and Eighth	<u>2</u>	<u>2</u>
Total Extended Year Special Education	<u>12</u>	<u>12</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional Kindergarten through Third	1	1
Fourth through Sixth	2	2
Seventh and Eighth	<u>3</u>	<u>3</u>
Total Special Education, Nonpublic, Nonsectarian Schools	<u>6</u>	<u>6</u>
District Totals	<u><u>13,093</u></u>	<u><u>13,105</u></u>

CUPERTINO UNION SCHOOL DISTRICT  
 SCHEDULE OF INSTRUCTIONAL TIME  
 For the Year Ended June 30, 2024

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<u>Grade Level</u>	<u>Statutory Minutes Require- ments</u>	<u>2023-24 Actual Offered Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	52,542	180	In compliance
Grade 1	50,400	51,058	180	In compliance
Grade 2	50,400	51,058	180	In compliance
Grade 3	50,400	51,058	180	In compliance
Grade 4	54,000	55,003	180	In compliance
Grade 5	54,000	55,003	180	In compliance
Grade 6	54,000	56,458	180	In compliance
Grade 7	54,000	56,458	180	In compliance
Grade 8	54,000	56,458	180	In compliance

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See accompanying notes to supplementary information

CUPERTINO UNION SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2024

Assistance Listing (AL) Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expend- itures
<u>U.S. Department of Education - Passed through</u>			
<u>California Department of Education</u>			
Special Education Cluster:			
84.027	COVID-19: Special Ed: ARP IDEA Part B, Sec. 611, Local Assistance	15638	\$ 648,616
84.027	COVID-19: Special Ed: ARP IDEA Part B, Sec 611, Local Assistance Private School ISPs	10169	4,109
84.173	COVID-19: Special Ed: ARP IDEA Part B, Sec. 619, Preschool Grants	15639	60,318
84.027	Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Section 611	13379	2,783,295
84.027	Special Ed: IDEA Local Assistance, Part B, Sec. 611 Private Schools ISPs	10115	24,725
84.173	Special Ed: IDEA Preschool Grants, Part B, Sec 619 (Age 3-4-5)	13430	83,417
84.027A	Special Ed: IDEA Mental Health ADA Allocation Plan, Part B, Sec. 611	15197	<u>150,329</u>
Subtotal Special Education Cluster			<u>3,754,809</u>
COVID-19: Education Stabilization Fund (ESF) Programs:			
84.425	COVID-19: Elementary and Secondary School Emergency Relief III (ESSER III) Fund	15559	173,536
84.425C	COVID-19: Governor's Emergency Education Relief (GEER) Fund: Learning Loss Mitigation	15517	223,856
84.425D	COVID-19: Expanded Learning Opportunities Grant: ESSER II State Reserve	15618	137,430
84.425C	COVID-19: Expanded Learning Opportunities Grant: GEER II	15619	203,382
84.425U	COVID-19: Expanded Learning Opportunities Grant: ESSER III State Reserve, Emergency Needs	15620	75,316
84.425U	COVID-19: Expanded Learning Opportunities Grant: ESSER III State Reserve, Learning Loss	15621	713,435
84.425	COVID-19: American Rescue Plan - Homeless Children and Youth II (ARP HYC II)	15566	<u>1,612</u>
Subtotal COVID-19: ESF Programs			<u>1,528,567</u>

(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2024

<u>Assistance Listing (AL) Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Title III Programs:			
84.365	Title III - Immigrant Student Program	15146	\$ 93,057
84.365	Title III - English Learner Student Program	14346	<u>612,529</u>
Subtotal Title III Programs			<u>705,586</u>
84.010	Title I - Basic Grants Low-Income and Neglected	14329	251,176
84.367	Title II - Supporting Effective Instruction Local Grants	14341	281,766
84.424	ESEA: Title IV, Part A, Student Support and Academic Enrichment Grants	15396	<u>26,183</u>
Total U.S. Department of Education			<u>6,548,087</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
Child Nutrition Cluster:			
10.555	National School Lunch Program	13523	1,452,719
10.555	Local Food for Schools	15708	58,029
10.555	Supply Chain Assistance (SCA) Funds	15655	<u>816,546</u>
Subtotal Child Nutrition Cluster			<u>2,327,294</u>
Total U.S. Department of Agriculture			<u>2,327,294</u>
Total Federal Programs			<u>\$ 8,875,381</u>

See accompanying notes to supplementary information

CUPERTINO UNION SCHOOL DISTRICT  
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT  
WITH AUDITED FINANCIAL STATEMENTS  
For the Year Ended June 30, 2024

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

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See accompanying notes to supplementary information

CUPERTINO UNION SCHOOL DISTRICT  
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
For the Year Ended June 30, 2024  
(UNAUDITED)

	(Budget) 2025	2024	2023	2022
Revenues and other financing sources	\$ 226,488,302	\$ 231,347,486	\$ 236,438,203	\$ 202,330,467
Expenditures	254,682,983	243,492,876	210,843,669	199,824,656
Other uses and transfers out	-	-	-	-
Total outgo	254,682,983	243,492,876	210,843,669	199,824,656
Change in fund balance	\$ (28,194,681)	\$ (12,145,390)	\$ 25,594,534	\$ 2,505,811
Ending fund balance	\$ 31,124,180	\$ 59,318,861	\$ 71,464,248	\$ 45,869,714
Available reserves	\$ 7,631,489	\$ 7,305,762	\$ 21,067,223	\$ 19,967,632
Designated for economic uncertainties	\$ 7,631,489	\$ 7,305,762	\$ 21,067,223	\$ 19,967,632
Undesignated fund balance	\$ -	\$ -	\$ -	\$ -
Available reserves as percentages of total outgo	3.00%	3.00%	9.99%	9.99%
Total long-term liabilities	\$ 474,634,559	\$ 494,517,035	\$ 429,466,920	\$ 390,288,658
Average daily attendance at P-2	12,757	13,093	12,952	13,566

The fund balance in the General Fund has increased by \$15,954,955 over the past three years. The District projects a decrease of \$28,194,681 for the fiscal year ending June 30, 2025. 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, 2024, the District has met this requirement.

The District has incurred operating surpluses in two of the past three years but anticipates an operating deficit during the 2024-25 fiscal year.

Total long-term liabilities have increased by \$104,228,377 over the past two years.

Average daily attendance has decreased by 473 over the past two years. A decrease of 336 ADA is anticipated during the year ending 2024-25.

See accompanying notes to supplementary information

CUPERTINO UNION SCHOOL DISTRICT  
SCHEDULE OF CHARTER SCHOOLS  
For the Year Ended June 30, 2024

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The District does not sponsor any charter schools.

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See accompanying notes to supplementary information

**NOTE 1 - PURPOSE OF SCHEDULES**

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

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

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, 2024, the District did not offer an Early Retirement Incentive Program.

**OTHER INFORMATION**

CUPERTINO UNION SCHOOL DISTRICT  
ORGANIZATION  
June 30, 2024

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

BOARD OF EDUCATION

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

ADMINISTRATION

Stacy Yao  
Superintendent

Allison Liner  
Deputy Superintendent, Education Services

Mike Ghelber  
Associate Superintendent, Human Resources

Chris Jew  
Chief Business Officer

Mahmoud Abed  
Chief Technology Officer

Erin Lindsey  
Senior Director, Communication

Nicole Meschi  
Senior Director, Nutrition Services

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE AND  
ON INTERNAL CONTROL OVER COMPLIANCE FOR STATE PROGRAMS

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 *2023-2024 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, 2024.

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 noted in the table below for the year ended June 30, 2024.

***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 *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards and the *2023-2024 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 noted in the table below.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements noted in the table below 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.

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(Continued)

**Auditor’s Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements noted in the table below 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 *2023-2024 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 noted in the table below 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 *2023-2024 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 noted in the table below 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 *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District’s compliance with the state laws and regulations applicable to the following items:

<u>2023-24 K-12 Audit Guide Procedures</u>	<u>Procedures Performed</u>
<i>Local Education Agencies Other than Charter Schools:</i>	
A. Attendance	Yes
B. Teacher Certification and Misassignments	Yes
C. Kindergarten Continuance	Yes
D. Independent Study	Yes
E. Continuation Education	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
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

(Continued)

2023-24 K-12 Audit Guide Procedures

Procedures  
Performed

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

T. Proposition 28 Arts and Music in Schools	Yes
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
DZ. Expanded Learning Opportunities Program	Yes
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 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.

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(Continued)

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.

### **Purpose of this Report**

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 *2023-2024 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.



Crowe LLP

Sacramento, California  
December 5, 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, 2024, 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 December 5, 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.

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(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

Sacramento, California  
December 5, 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, 2024. 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, 2024.

***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.

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(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.

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(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.

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

Crowe LLP

Sacramento, California  
December 5, 2024

## **FINDINGS AND RECOMMENDATIONS**

CUPERTINO UNION SCHOOL DISTRICT  
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2024

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**FINANCIAL STATEMENTS**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

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

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

**FEDERAL AWARDS**

Internal control over major programs:

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

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

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

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

Identification of major programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425, 84.425C, 84.425D, 84.425U 10.555	Covid 19: ESF Programs 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

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(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2024

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SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

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(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2024

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SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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(Continued)

CUPERTINO UNION SCHOOL DISTRICT  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2024

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SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR  
FINDINGS AND RECOMMENDATIONS**

CUPERTINO UNION SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
Year Ended June 30, 2024

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No matters were reported.