LOS GATOS - SARATOGA
UNION HIGH SCHOOL DISTRICT
COUNTY OF SANTA CLARA
LOS GATOS, CALIFORNIA

AUDIT REPORT

JUNE 30, 2025

Chavan & Associates, LLP
Certified Public Accountants
16450 Monterey Road, Suite #5
Morgan Hill, CA 95037

Page Intentionally Left Blank

Los Gatos - Saratoga Union High School District
County of Santa Clara

Table of Contents

TITLE	PAGE
FINANCIAL SECTION:	
Independent Auditor's Report	1
Management's Discussion and Analysis	7
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements:	
Governmental Funds Balance Sheet	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	18
Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances	19
Reconciliation of the Governmental Funds Statement of of Revenues and Expenditures, and Changes in Fund Balances Balances to the Statement of Activities	20
Statement of Net Position - Fiduciary Funds	21
Statement of Revenues, Expenses, and Changes in Fund Net Position	22
Notes to the Basic Financial Statements	25
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP) - General Fund	59
Schedule of CalPERS Pension Plan Contributions	60
Schedule of CalPERS Proportionate Share of Net Pension Liability	61
Schedule of CalSTRS Pension Plan Contributions	62
Schedule of CalSTRS Proportionate Share of Net Pension Liability	63
Schedule of Changes in Total OPEB Liability	64
SUPPLEMENTARY INFORMATION:	
Combining Statements - Nonmajor Funds:	
Nonmajor Governmental Funds - Combining Balance Sheet	69
Nonmajor Governmental Funds - Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	70
State and Federal Award Compliance Section:	
Schedule of Average Daily Attendance	73
Schedule of Instructional Time	74
Schedule of Financial Trends and Analysis	75
Schedule of Charter Schools	76
Schedule of Expenditures Federal Awards	77

Los Gatos - Saratoga Union High School District
County of Santa Clara

Table of Contents

Reconciliation of the Annual Financial Budget Report (SACS) to the Audited Financial Statements 78
Notes to State and Federal Award Compliance Section 79

OTHER INFORMATION

Organization 83

OTHER INDEPENDENT AUDITOR'S REPORTS:

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* 85

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with Uniform Guidance 87

Independent Auditor's Report on State Compliance and on Internal Control Over Compliance 90

FINDINGS AND RECOMMENDATIONS:

Schedule of Findings and Questioned Costs 95

Schedule of Prior Audit Findings 97

FINANCIAL SECTION

Chavan and Associates, llp
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Trustees
Los Gatos - Saratoga Union High School District
Los Gatos, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Los Gatos - Saratoga Union High School District (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2025 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

16450 Monterey Road, Ste. #5, Morgan Hill, CA 95037
Tel: 408-217-8749 • E-Fax: 408-872-4159
info@cnallp.com • www.cnallp.com

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 GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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, budgetary comparison information, schedule of CalPERS pension contributions, schedule of CalPERS proportionate share of net pension liability, schedule of STRS pension contributions, schedule of STRS proportionate share of net pension liability, schedule of contributions for other postemployment benefits, and schedule of changes in net OPEB liability, as listed in the table of contents, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements, as required by the *Governmental Accounting Standards Board*; schedule of average daily attendance, schedule of instructional time, schedule of financial trends and analysis, schedule of charter schools, and the reconciliation of the Annual Financial and Budget report to the audited financial statements, as required by the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*; and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This 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 GAAS. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial report. The other information comprises the organization schedule but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic 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 15, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

C & A LLP

December 15, 2025
Morgan Hill, California

Page Intentionally Left Blank

Management's Discussion and Analysis

The discussion and analysis of the financial performance of the Los Gatos - Saratoga Union High School District provides an overall review of the organization's financial activities for the fiscal year ended June 30, 2025. The intent of this discussion and analysis is to look at the district's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the district's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2024-25 are as follows:

- Total net position increased by $2,427,509, or 13%, from June 30, 2024 to June 30, 2025.
- General revenues accounted for $83,087,569, or 87%, of all revenues.
- The District had $80,660,059 in expenses offset by program specific revenues of $12,636,231.
- Total fund balance increased by $345,943, or 1%, from June 30, 2024 to June 30, 2025.
- The District met the State required minimum reserve for economic uncertainty of 3% of general fund expenditure, transfers out and other uses (total outgo).

Using the Annual Report

This annual report consists of a series of basic financial statements and notes to those statements. These statements are organized to assist the reader in understanding the Los Gatos - Saratoga Union High School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities comprise the district-wide financial statements and provide information about the activities of the whole district, presenting both an aggregate view of the organization's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the district's most significant fund, the General Fund, with all other (non-major) funds presented in total in one column.

The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Overview of the Financial Statements

Government-wide Financial Statements - Statement of Net Position and the Statement of Activities

While this document contains the seven funds used by the Los Gatos - Saratoga Union High School District to provide programs and activities, it provides a view of the district as a whole, looks at all financial transactions and asks the question, "How did we do financially during 2024-25"? The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into accounts all of the current year's revenues and expenditures regardless of when cash is received or paid.

These two statements report the district's net position and changes in those assets. This change in net position is important because it tells the reader that, for the Los Gatos - Saratoga Union High School District as a whole, the financial position of the organization has improved or diminished. The causes of the change may be the result of many factors, some financial, and some not. Non-financial factors include the district's property tax base, current property tax laws in California restricting revenue growth, facility condition, required educational programs, CalSTRS, and other factors.

In the Statement of Net Position and the Statement of Activities, the district reports governmental activities. Governmental activities are the activities in which most of the district's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.

Reporting the Los Gatos - Saratoga Union High School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the district's major funds. The district uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the district's most significant funds and not the organization as a whole.

Governmental Funds

Most of the district's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the district's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The Los Gatos - Saratoga Union High School District's most significant governmental funds are the General Fund, Building Fund and the Special Reserve Fund for Capital Projects.

The Los Gatos - Saratoga Union High School District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary that compares the district's net position in 2024-25 and 2023-24:

Table 1 - Summary of Net Position

	2025	2024	Increase (Decrease)	Percentage Change
Assets				
Current Assets	$ 42,796,628	$ 43,365,081	$ (568,453)	-1.31%
Noncurrent Assets	107,389,852	112,154,354	(4,764,502)	-4.25%
Total Assets	$ 150,186,480	$ 155,519,435	$ (5,332,955)	-3.43%
Deferred Outflows of Resources	$ 16,665,806	$ 16,311,652	$ 354,154	2.17%
Liabilities				
Current and Other Liabilities	$ 3,418,331	$ 5,082,078	$ (1,663,747)	-32.74%
Long-Term Liabilities	131,611,778	138,319,411	(6,707,633)	-4.85%
Total Liabilities	$ 135,030,109	$ 143,401,489	$ (8,371,380)	-5.84%
Deferred Inflows of Resources	$ 11,172,951	$ 10,207,881	$ 965,070	9.45%
Net Position				
Net Investment in Capital Assets	$ 39,240,698	$ 41,940,148	$ (2,699,450)	-6.44%
Restricted	18,763,327	17,507,216	1,256,111	7.17%
Unrestricted	(37,354,799)	(41,225,647)	3,870,848	9.39%
Total Net Position	$ 20,649,226	$ 18,221,717	$ 2,427,509	13.32%

Table 2 shows the changes in net position for fiscal year 2024-25 and 2023-24:

Table 2 - Change in Net Position

	2025	2024	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues:				
Operating Grants and Contributions	$ 11,672,006	$ 1,003,772	$ 10,668,234	1062.81%
Capital Grants and Contributions	964,225	13,777,435	(12,813,210)	-93.00%
General Revenues:				
Taxes levied for general purposes	67,603,771	64,473,169	3,130,602	4.86%
Taxes levied for debt service	5,208,417	5,059,120	149,297	2.95%
Grants and Entitlements - Unrestricted	2,123,037	2,479,022	(355,985)	-14.36%
Other	8,152,343	2,054,100	6,098,243	296.88%
Total Revenues	95,723,799	88,846,618	6,877,181	7.74%
Program Expenses				
Instruction	45,855,843	44,258,698	1,597,145	3.61%
Instruction-Related Services	9,547,245	9,652,037	(104,792)	-1.09%
Pupil Services	12,006,612	11,961,982	44,630	0.37%
General Administration	6,417,308	7,167,259	(749,951)	-10.46%
Plant Services	10,990,747	10,358,395	632,352	6.10%
Ancillary Services	6,657,004	6,661,153	(4,149)	-0.06%
Community Services	410,067	332,367	77,700	23.38%
Interagency and Other	266,232	195,958	70,274	35.86%
Interest and Fiscal Charges	1,145,232	2,949,698	(1,804,466)	-61.17%
Total Expenses	93,296,290	93,537,547	(241,257)	-0.26%
Change in Net Position	$ 2,427,509	$ (4,690,929)	$ 7,118,438	100%

Governmental Activities

The Statement of Activities shows the cost of program services and the grants and charges to school districts offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted State entitlements, tax revenue, and other unrestricted local revenue.

Table 3 shows a summary of the net cost of services for fiscal years 2024-25 and 2023-24.

Table 3 - Net Cost of Services

Function	2025	2024	Increase (Decrease)	Percentage Change
Instruction	$ 41,746,436	$ 39,991,147	$ 1,755,289	4.39%
Instruction-Related Services	9,173,057	7,662,695	1,510,362	19.71%
Pupil Services	9,838,343	9,176,652	661,691	7.21%
General Administration	6,339,652	7,131,783	(792,131)	-11.11%
Plant Services	10,856,031	10,318,476	537,555	5.21%
Ancillary Services	2,637,393	2,863,791	(226,398)	-7.91%
Community Services	410,067	332,313	77,754	23.40%
Interagency and Other	(1,486,152)	(1,670,215)	184,063	11.02%
Interest on Long-term Debt	1,145,232	2,949,698	(1,804,466)	-61.17%
Total Net Costs of Services	$ 80,660,059	$ 78,756,340	$ 1,903,719	2.42%

Instruction expenditures include activities directly dealing with the teaching of pupils.

Instruction-related services include the activities involved with assisting staff with the content and process of educating students.

Pupil services include guidance and counseling, psychological, health, speech and testing services, transporting students, as well as preparing, delivering, and serving meals to students.

General administration reflects expenditures associated with the administrative and financial supervision of the School District. Typical functions would include the Board of Trustees and Superintendent, Human Resources, Data Processing and Business Services.

Plant services involve keeping the school grounds, buildings, and equipment in effective working condition.

Ancillary services represent the expenditures associated with co-curricular and athletic programs for students of the district.

Interagency includes tuition and transfers of resources between Los Gatos - Saratoga Union High School District and other educational agencies for services provided to students.

The Los Gatos - Saratoga Union High School District's Funds

Table 4 provides an analysis of the fund balances and the total change in fund balances from the prior year.

Table 4 - Change in Fund Balances

Funds	2025	2024	Increase (Decrease)	Percentage Change
General Fund	$ 13,509,917	$ 15,730,005	$ (2,220,088)	-14.11%
Building Fund	5,414,463	6,065,686	(651,223)	-10.74%
Special Reserve Fund for Capital Projects	14,449,081	11,808,845	2,640,236	22.36%
Nonmajor Funds	6,535,179	5,958,161	577,018	9.68%
Total Governmental Fund Balances	$ 39,908,640	$ 39,562,697	$ 345,943	0.87%

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. These budget amendments fall into two categories:

- Changes made at first interim to account for the categorical program carryover balances from 2023-24 fiscal year.
- Increase/decrease in the appropriation of current year programs.

While the District's final budget for the general fund anticipated that revenues would exceed expenditures by $204,276, the actual results for the year showed an excess of revenues over expenditures by $1,390,235. After transfers in and out netting $3,610,323, the final actual change in the general fund's fund balance was decreased by $2,220,088. Actual Expenditures were $101,169 over budget for the year.

Capital Assets

Table 5 shows fiscal year 2024-25 balances compared to 2023-24.

Table 5 - Summary of Capital Assets Net of Depreciation

Capital Asset	2025 Net Capital Asset	2024 Net Capital Asset	Percentage Change
Land	$ 1,348,687	$ 1,348,687	0.00%
Work-in-Progress	6,057,577	5,841,581	3.70%
Site Improvements	12,200,936	12,647,366	-3.53%
Buildings	83,503,029	89,010,032	-6.19%
Equipment	3,163,356	1,987,154	59.19%
Totals	$ 106,273,585	$ 110,834,820	-4.12%

Long Term Liabilities

Table 6 summarizes the District's outstanding liabilities for the last two fiscal years.

Table 6 - Long-term Liabilities

Type of Liability	2025	2024	Percentage Change
General Obligation Bonds	$ 78,204,037	$ 81,421,216	-3.95%
Net Pension Liability	46,601,335	50,561,516	-7.83%
Total OPEB Liability	6,346,964	5,865,301	8.21%
Compensated Absences	459,442	471,378	-2.53%
Total Long-term Liabilities	$ 131,611,778	$ 138,319,411	-4.85%

Factors bearing on the District's Future

As a basic aid district, LGSUHSD receives the largest share of its revenues, more 85 percent in FY25, from local property taxes. Property tax growth has slowed in Santa Clara County as a whole due to weakening in the commercial real estate market. The District has thus far been largely insulated from this down turn because commercial property makes up a relatively small share of its overall tax base. If this weakening, however, spreads to residential real estate, it would materially impact the District's revenue growth in future years.

During the COVID-19 pandemic, the state and federal governments provided a series of large one-time block grants. The District used those funds to pay COVID-related costs and to expand post-pandemic programs in health services, wellness, mental health, and learning loss recovery. These programs led to a period of deficit spending, as one-time funds were used over multiple fiscal years. The final tranche of COVID-era one-time grants will expire and be fully expensed at the end of FY 26, which will require the District end deficit spending by eliminating programs or by slowing spending growth more broadly. While the District does not face a "fiscal cliff" of the magnitude that many others are facing in California K-12 education, LGSUHSD policy makers may be forced to make some difficult choices.

District facilities are aging at both high school campuses, and facility maintenance and repair are consuming a larger share of the operating budget each year. The District is currently evaluating its needs as well as community support for a possible general obligation bond for the 2026 election cycle. If this bond does not move forward, facility related expenses will likely continue to increase as a share of the general fund, potentially crowding out other types of expenses.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, students, and investors, with a general overview of the District's finances and to show accountability for the money received. If you have questions regarding this report or need additional financial information, contact Patrick Bernhardt, Executive Director, Los Gatos-Saratoga Union High School District, 17421 Farley Road West, Los Gatos, CA 95030, (408) 377-8010.

Basic Financial Statements

LOS GATOS - SARATOGA UNION HIGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2025

	Governmental Activities
Assets	
Current Assets:	
Cash and investments	$ 39,261,593
Accounts receivable	3,303,851
Stores inventories	10,013
Prepaid expenses	17,904
Leases receivable - current	203,267
Total Current Assets	42,796,628
Noncurrent Assets:	
Leases receivable	1,116,267
Capital assets - net	106,273,585
Total Noncurrent Assets	107,389,852
Total Assets	$ 150,186,480
Deferred Outflows of Resources	
Pension adjustments	$ 16,414,607
OPEB adjustments	251,199
Total Deferred Outflows of Resources	$ 16,665,806
Liabilities	
Current Liabilities:	
Accounts payable	$ 2,551,592
Accrued interest	647,062
Unearned revenue	219,677
Total Current Liabilities	3,418,331
Long-term Liabilities:	
Due within one year	2,440,000
Due after one year	129,171,778
Total long-term Liabilities	131,611,778
Total Liabilities	$ 135,030,109
Deferred Inflows of Resources	
Pension adjustments	$ 6,202,727
OPEB adjustments	2,215,528
Leases	1,232,986
Deferred gain on defeasance	1,521,710
Total Deferred Inflows of Resources	$ 11,172,951
Net Position	
Net investment in capital assets	$ 39,240,698
Restricted for:	
Educational programs	3,713,367
Cafeteria program	3,624
Capital projects	15,046,336
Total restricted net position	18,763,327
Unrestricted (Deficit)	(37,354,799)
Total Net Position	$ 20,649,226

The accompanying notes to the financial statements are an integral part of this statement.

LOS GATOS - SARATOGA UNION HIGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Instruction	$ 45,855,843	$ 166,657	$ 3,942,750	$ (41,746,436)
Instruction-related services:				
Supervision of instruction	2,451,227	4,424	171,364	(2,275,439)
Instruction library, media and technology	1,508,935	418	865	(1,507,652)
School site administration	5,587,083	2,340	194,777	(5,389,966)
Pupil services:				
Home-to-school transportation	1,130,392	-	21,095	(1,109,297)
Food services	2,440,665	112,140	1,435,476	(893,049)
All other pupil services	8,435,555	16,711	582,847	(7,835,997)
General administration:				
Data processing	702,361	-	-	(702,361)
All other general administration	5,714,947	-	77,656	(5,637,291)
Plant services	10,990,747	43,854	90,862	(10,856,031)
Ancillary services	6,657,004	47,225	3,972,386	(2,637,393)
Community services	410,067	-	-	(410,067)
Interagency and other	266,232	570,456	1,181,928	1,486,152
Interest on long-term debt	1,145,232	-	-	(1,145,232)
Total governmental activities	$ 93,296,290	$ 964,225	$ 11,672,006	(80,660,059)
General revenues and special item:				
Taxes and subventions:				
Taxes levied for general purposes				67,603,771
Taxes levied for debt service				5,208,417
Taxes levied for other specific purposes				5,438,647
Federal and state aid not restricted to specific purposes				2,123,037
Interest and investment earnings				2,674,736
Miscellaneous				38,960
Total general revenues and special item				83,087,568
Change in net position				2,427,509
Net position beginning				18,221,717
Net position ending				$ 20,649,226

The accompanying notes to the financial statements are an integral part of this statement.

LOS GATOS - SARATOGA UNION HIGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	$ 18,932,468	$ 5,412,113	$ 8,430,588	$ 6,486,424	$ 39,261,593
Accounts receivable	2,718,869	49,459	124,698	410,825	3,303,851
Due from other funds	316,171	-	6,348,940	107,808	6,772,919
Stores inventories	-	-	-	10,013	10,013
Prepaid items	17,904	-	-	-	17,904
Leases receivable	1,319,534	-	-	-	1,319,534
Total Assets	$ 23,304,946	$ 5,461,572	$ 14,904,226	$ 7,015,070	$ 50,685,814
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 1,947,738	$ 47,109	$ 455,145	$ 101,600	$ 2,551,592
Due to other funds	6,456,748	-	-	316,171	6,772,919
Unearned revenue	157,557	-	-	62,120	219,677
Total Liabilities	8,562,043	47,109	455,145	479,891	9,544,188
Deferred Inflows of Resources					
Leases	1,232,986	-	-	-	1,232,986
Total Deferred Inflows of Resources	1,232,986	-	-	-	1,232,986
Fund balances:					
Nonspendable:					
Revolving fund	11,150	-	-	-	11,150
Stores inventories	-	-	-	10,013	10,013
Prepaid items	17,904	-	-	-	17,904
Restricted for:					
Educational programs	2,271,969	-	-	1,441,398	3,713,367
Cafeteria programs	-	-	-	3,624	3,624
Capital projects	-	5,414,463	14,260,165	786,171	20,460,799
Debt service	-	-	-	4,266,253	4,266,253
Assigned for:					
Deferred maintenance	478,061	-	-	-	478,061
Other postemployment benefits	1,242,547	-	-	-	1,242,547
Capital projects	-	-	-	27,720	27,720
Other assignments	-	-	188,916	-	188,916
Unassigned:					
Economic uncertainties	3,624,078	-	-	-	3,624,078
Unappropriated	5,864,208	-	-	-	5,864,208
Total Fund Balances	13,509,917	5,414,463	14,449,081	6,535,179	39,908,640
Total Liabilities and Fund Balances	$ 23,304,946	$ 5,461,572	$ 14,904,226	$ 7,015,070	$ 50,685,814

The accompanying notes to the financial statements are an integral part of this statement.

LOS GATOS - SARATOGA UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2025

Total fund balances - governmental funds		$ 39,908,640
Amounts reported for governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Capital asset at cost	$ 229,452,094	
Accumulated depreciation	(123,178,509)	106,273,585
To recognize accrued interest at year end which is not reported in the governmental funds		(647,062)
Deferred outflows of resources include amounts that will not be included in the calculation of the District's net pension liability of the plan year included in this report such as current fiscal year contributions as recorded in the fund statements.		16,414,607
The differences from pension plan assumptions in actuarial valuations are not included in the plan's actuarial study until the next fiscal year and are reported as deferred inflows of resources in the Statement of Net Position.		(6,202,727)
The differences between projected and actual amounts in OPEB plans are not included in the plan's actuarial study until the next fiscal year and are reported as deferred outflows or inflows of resources in the statement of net position.		(1,964,329)
The difference between the reacquisition price and net carrying value of long-term debt when a bond is refunded is recorded as a deferred loss on the early retirement of long-term debt and a deferred inflow in the government-wide statement of net position and amortized over the remaining life of the refunded debt or refunding debt, whichever is shorter. This transaction is not a current financial resource and is not included in the governmental fund statements.		(1,521,710)
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 year-end consists of:		
General obligation bonds	$ 78,204,037	
Net pension liabilities	46,601,335	
Total OPEB liability	6,346,964	
Compensated absences (vacation)	459,442	(131,611,778)
Net position - governmental activities		$ 20,649,226

The accompanying notes to the financial statements are an integral part of this statement.

LOS GATOS - SARATOGA UNION HIGH SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
LCFF sources	$ 68,373,381	$ -	$ -	$ -	$ 68,373,381
Federal	861,608	-	-	204,914	1,066,522
Other state	4,877,120	-	-	1,226,648	6,103,768
Other local	8,818,392	459,136	1,261,083	9,641,518	20,180,129
Total revenues	82,930,501	459,136	1,261,083	11,073,080	95,723,800
Expenditures:					
Instruction	43,515,595	-	-	-	43,515,595
Instruction-related services:					
Supervision of instruction	2,328,257	-	-	-	2,328,257
Instruction library, media and technology	1,457,584	-	-	-	1,457,584
School site administration	5,284,556	-	-	-	5,284,556
Pupil services:					
Home-to-school transportation	1,084,632	-	-	-	1,084,632
Food services	10,277	-	-	2,308,188	2,318,465
All other pupil services	7,973,113	-	-	-	7,973,113
General administration:					
Data processing	652,607	-	-	-	652,607
All other general administration	5,434,086	-	-	-	5,434,086
Plant services	10,241,501	-	601,453	-	10,842,954
Ancillary services	2,542,388	-	-	3,667,573	6,209,961
Community services	383,787	-	-	-	383,787
Facility acquisition and construction	365,651	1,110,359	930,985	24,950	2,431,945
Interagency and other	266,232	-	-	-	266,232
Debt service:					
Principal	-	-	-	2,810,000	2,810,000
Interest and issuance costs	-	-	-	2,384,083	2,384,083
Total expenditures	81,540,266	1,110,359	1,532,438	11,194,794	95,377,857
Excess (deficiency) of revenues over (under) expenditures	1,390,235	(651,223)	(271,355)	(121,714)	345,943
Other financing sources (uses):					
Transfers in	-	-	2,911,591	698,732	3,610,323
Transfers out	(3,610,323)	-	-	-	(3,610,323)
Total other financing sources (uses)	(3,610,323)	-	2,911,591	698,732	-
Net change in fund balances	(2,220,088)	(651,223)	2,640,236	577,018	345,943
Fund balances beginning	15,730,005	6,065,686	11,808,845	5,958,161	39,562,697
Fund balances ending	$ 13,509,917	$ 5,414,463	$ 14,449,081	$ 6,535,179	$ 39,908,640

The accompanying notes to the financial statements are an integral part of this statement.

LOS GATOS - SARATOGA UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Total net change in fund balances - governmental funds		$ 345,943
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities , the cost of those assets is allocated over their estimated useful lives as depreciation expense:		
Capital assets additions	$ 2,790,273	
Depreciation expense	(7,351,508)	(4,561,235)
The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of prepaid issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:		
Repayment of bond principal	2,810,000	
Amortization on bond premiums	407,179	3,217,179
In governmental funds, actual contributions to pension plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year pension expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.		2,848,399
In governmental funds, deferred gain (loss) on early retirement of long-term debt is recognized as other finances uses. In the government-wide statements, the deferred gains (losses) on early retirement of long-term debt is amortized over the life of the debt. The difference between other financing uses and amortization is:		80,090
In the statement of activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid). This year vacation earned was more than the amounts used by:		11,936
In governmental funds, actual contributions to OPEB plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year OPEB expense as noted in the plan's valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.		(266,385)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		751,582
Changes in net position of governmental activities		$ 2,427,509

The accompanying notes to the financial statements are an integral part of this statement.

LOS GATOS - SARATOGA UNION HIGH SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2025

	Private Purpose Trust Scholarship Fund
Assets	
Cash and investments	$ 466,870
Accounts receivable	4,180
Total Assets	$ 471,050
Net Position	
Restricted for scholarships	$ 471,050
Total Net Position	$ 471,050

The notes to basic financial statements are an integral part of this statement

LOS GATOS - SARATOGA UNION HIGH SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
June 30, 2025

	Private Purpose Trust Scholarship Fund
Additions:	
Interest and investment earnings (losses)	$ 29,478
Total additions	29,478
Deductions:	
Financial assistance to students	2,000
Changes in net position	27,478
Net position beginning	443,572
Net position ending	$ 471,050

The notes to basic financial statements are an integral part of this statement

Page Intentionally Left Blank

Notes to the Basic Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Principles

Los Gatos - Saratoga Union High School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The account policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the U. S. Governmental Accounting Standards Board ("GASB") and the American Institute of Certified Public Accountants ("AICPA").

B. Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of five elected officials who, together, constitute the Board of Trustees. The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements using the criteria established by GASB. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the ability of the governmental unit's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the dependent unit should be reported as part of the other. Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

The Los Gatos - Saratoga Union High School District's Finance Corporation's financial activity is presented in the financial statements and blended with Capital Facilities Fund. Certificates of participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements.

C. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Eliminations have been made to minimize the effect of interfund of activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

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

Fund Financial Statements:

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

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus under the accrual basis of accounting.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and

become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. To achieve comparability of reporting among California districts, and so as not to distort normal revenue patterns with specific respect to reimbursement grants and correction to state-aid apportionments, the California Department of Education has defined available for district as collectible within one year.

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

The District applies all applicable GASB pronouncements for certain accounting and financial reporting guidance. In December of 2010, GASB issued Statement No. 62*, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates pronouncements issued on or before November 30, 1989 into GASB authoritative literature. In June of 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* GASB 76 supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 also amends GASB 62 and AICPA Pronouncements paragraphs 64, 74, and 82. The GAAP hierarchy sets forth what constitutes GAAP for all state and local governmental entities. It establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply.

The sources of authoritative GAAP are categorized in descending order of authority as follows:

a. Officially established accounting principles—Governmental Accounting Standards Board (GASB) Statements (Category A)
b. GASB Technical Bulletins; GASB Implementation Guides; and literature of the AICPA cleared by the GASB (Category B).

If the accounting treatment for a transaction or other event is not specified by a pronouncement in Category A, a governmental entity should consider whether the accounting treatment is specified by a source in Category B.

Deferred Outflows/Deferred Inflows:

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred

outflow of resources related to the recognition of the net pension liability reported in the Statement of Net Position.

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

Unearned Revenue:

Unearned revenue arises when assets (such as cash) are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements (such as qualified expenditures) are met are recorded as liabilities from unearned revenue.

Unavailable Revenue:

In the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been recorded as deferred inflows of resources as unavailable revenue.

Expenses/Expenditures:

Using the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity or retained earnings, 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. The District's accounts are organized into governmental major and nonmajor, proprietary and fiduciary funds as follows:

Major Governmental Funds:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund and includes transactions accounted for in the Student Activity Fund, the Deferred Maintenance Fund, the Special Reserve Fund for Other Than Capital Outlay Projects and the Special Reserve Fund for Postemployment Benefits. This fund is not substantially composed of restricted or committed revenue sources and does not meet the definition of a special revenue fund. Because this fund does not meet the definition of a special revenue fund under GASB 54, the activity in this fund is being reported within the General Fund.

The *Building Fund* is used to account for the acquisition and construction of major governmental capital facilities and buildings from the sale of bond proceeds.

The *Special Reserve Fund for Capital Outlay Projects* is used to account for general fund resources accumulated for capital outlay

Non-major Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed for purposes other than debt service or capital projects. The restricted or committed resources need to comprise a substantial portion of the inflows reported in the special revenue fund. The District maintains the following nonmajor special revenue funds:

- The *Student Activity Fund* is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.

- The *Cafeteria Fund* is used to account for revenues received and expenditures made to operate the District's food service programs.

Capital Projects Funds are used to account for resources restricted, committed or assigned for capital outlays. The District maintains the following nonmajor capital projects funds:

- The *Capital Facilities Fund* is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act ("CEQA").

Debt Service Funds are established to account for the accumulation of resources for the payment of the principal and interest on long-term debt:

- The *Bond Interest and Redemption Fund* is used to account for taxes received and expended on interest and the redemption of principal of general obligation bonds.

Fiduciary Funds:

Fiduciary funds are used to account for resources held for the benefit of parties outside the district and are not available to support the District's own programs. Fiduciary funds are split into four

classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The three types of trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics. The District has only a private-purpose trust fund which is used to account for scholarships.

F. Budgets and Budgetary Accounting

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

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets for the General Fund and major special revenue funds are presented as Required Supplementary Information.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. Encumbrances

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

H. Benefit Plans

Pensions:

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

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* requires that the reported results must pertain to liability and asset information within certain defined time frames.

For this period, the following time frames were used:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023 to June 30, 2024

The following summarizes the pension plan balances for the fiscal year:

	PERS	STRS	Total
Deferred outflows of resources	$ 7,169,370	$ 9,245,237	$ 16,414,607
Deferred inflows of resources	$ 191,932	$ 6,010,795	$ 6,202,727
Net pension liabilities	$ 19,064,505	$ 27,536,830	$ 46,601,335
Pension expense	$ 3,845,652	$ 2,114,965	$ 5,960,617

Other Postemployment Benefits Other Than Pensions (OPEB):

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources, and OPEB expense, information about the District's Retiree Benefits Plan (the OPEB Plan) and additions to/deductions are based on the when they are due and payable in accordance with the benefit terms for the measurement period included in the OPEB plan's actuarial reports.

Valuation Date	June 30, 2024
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023 to June 30, 2024

I. Assets, Liabilities, and Equity

a) Cash and Investments

Cash balances held in banks and in revolving funds are insured to $250,000 by the Federal Deposit Insurance Corporation.

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

All District-directed investments are governed by Government Code Section 53601 and Treasury investment guidelines. The guidelines limit specific investments to government securities, domestic chartered financial securities, domestic corporate issues, and California municipal securities. The District's securities portfolio is held by the County Treasurer. Interest earned on investments is recorded as revenue of the fund from which the investment was made.

The county is authorized to deposit cash and invest excess funds by California Government Code Section 53648. The funds maintained by the county are either secured by federal depository insurance or are collateralized.

b) Fair Value Measurements

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction.

In determining this amount, three valuation techniques are available:

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.

- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.

- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Observable inputs have been maximized in fair value measures, and unobservable inputs have been minimized.

c) Inventories and Prepaid Expenditures

Inventories

Inventories are recorded using the consumption method, in that expenditures are recorded when inventory is used. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

Prepaid expenses/items

The District has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure when incurred.

d) Leases Receivables

The District's leases receivable are measured at the present value of lease payments expected to be received during the lease terms. The present value, net of accumulated amortization, is reported as deferred inflows of resources is recorded for leases. Deferred inflows of resources

are recorded at the initiation of the leases in an amount equal to the initial recording of the leases receivable, plus incentive payments received. Amounts recorded as deferred inflows of resources from the leases are amortized on a straight-line basis over the term of the lease.

e) Capital Assets

Capital assets are those purchased or acquired with an original cost of $5,000 or more and are reported at historical cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value rather than fair value. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are not capitalized but are expensed as incurred.

Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

Assets	Years
Improvement of sites	10-20
Buildings	25-50
Building improvements	10-20
Furniture and fixtures	5-15
Equipment	5-15
Computer equipment	5-15
Office equipment	5-15

f) Compensated Absences

All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating 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 when the employee retires.

Vacation
All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Sick Leave
The District's policy permits employees to accumulate earned but unused sick leave. All sick leave lapses when employees leave the employ of the District and, upon separation from service, no monetary obligation exists. A liability for estimated value of sick leave that will be used by employees as time off is not included in the liability for compensated absences as

employees typically use the most recently earned sick leave earned (Last in First Out). Therefore, it is not likely employees will use the remaining balance accumulated as of year-end.

g) Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts as well as issuance costs if related to prepaid insurance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount. Issuance costs, not related to prepaid insurance costs, are expensed in the period incurred. In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts are reported as other financing sources/uses.

h) Subscription Based Information Technology Arrangements

When applicable, the District recognizes subscription liabilities with an initial, individual value of $50,000 or more. The District uses its estimated incremental borrowing rate to measure subscription liabilities unless it can readily determine the interest rate in the arrangement. The District's estimated incremental borrowing rate is calculated as described above. The District's estimated incremental borrowing rate is based on its most recent public debt issuance.

i) Fund Balance Policy and Classifications

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's minimum fund balance policy requires a reserve for economic uncertainties, consisting of unassigned amounts, equal to no less than three percent of general fund operating expenditures and other financing uses.

In accordance with Government Accounting Standards Board 54*, Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

- Non-spendable includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

- Restricted includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

- Committed includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. Committed fund balances are imposed by the District's board of education.

- Assigned includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balance may be assigned by the Superintendent and the Chief Business Officer.

- Unassigned includes positive fund balances within the general fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

j) Net Position

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

Educational program restrictions reflect the amounts to be expended on specific school programs that are legally restricted.

Cafeteria Program restrictions reflect the cash balances in the Cafeteria fund that are restricted for food services and child nutrition programs.

Capital Projects restrictions will be used for the acquisition and construction of capital facilities.

Unrestricted net position reflects amounts that are not subject to any donor-imposed restrictions. This class also includes restricted gifts whose donor-imposed restrictions were met during the fiscal year. A deficit unrestricted net position may result when significant cash balances restricted for capital projects exist. Once the projects are completed, the restriction on these assets are released and converted to capital assets.

k) Local Control Funding Formula and Property Taxes

The Local Control Funding Formula (LCFF) creates base, supplemental, and concentration grants in place of most previously existing K–12 funding streams, including revenue limits and

most state categorical programs. The revenue limit was a combination of local property taxes, state apportionments, and other local sources.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on August 31 and February 1, and taxes become delinquent after March 17 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year. The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

l) Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2025, the District participated in the South Bay Area Schools' Insurance Authority (SBASIA) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years.

m) Interfund Transactions

In the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the government and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances. Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

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

n) Accounting Estimates

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

J. Implemented Accounting Pronouncements

GASB Statement No. 101, *Compensated Absences*

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. The implementation of this standard did not have a material impact on the District's financial statements.

GASB Statement No. 102, *Certain Risk Disclosures*

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions for (1) the concentration or constraint (2) each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements (3) actions taken by the government prior to the issuance of the financial statements to mitigate the risk. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

K. Upcoming Accounting and Reporting Changes

The District is currently analyzing its accounting practices to determine the potential impact on the financial statements of the following recent GASB Statements:

GASB Statement No. 103, *Financial Reporting Model Improvements*

This Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

This Statement establishes new accounting and financial reporting requirements or modifies existing requirements related to (a) Management's discussion and analysis (MD&A) (b) Unusual or infrequent items (c) Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position (d) Information about major component units in basic financial statements (5) Budgetary comparison information (6) Financial trend information in the statistical section.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*

This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-Based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

2. CASH AND INVESTMENTS

A summary of cash and investments as of June 30, 2025 is as follows:

	Carrying Amount	Fair Value
Government-Wide Statements:		
Cash in county treasury investment pool	$ 37,773,589	$ 37,773,589
Cash on hand and in banks	1,476,854	1,476,854
Cash in revolving fund	11,150	11,150
Total Cash and Investments	$ 39,261,593	$ 39,261,593
Fiduciary Funds:		
Cash in county treasury investment pool	$ 466,870	$ 466,870

Cash in Banks and in Revolving Funds

Cash balances in banks and revolving funds are insured up to $250,000 per bank by the Federal Deposit Insurance Corporation ("FDIC"). These accounts are held within various financial institutions. As of June 30, 2025, the bank balances of the District's accounts totaled $1,486,747, of which $1,236,747 was not insured by the FDIC.

Cash in County Treasury

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

Fair Value Measurements

GASB 72 established a hierarchy of inputs to the valuation techniques above. This hierarchy has three levels:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3 inputs are unobservable inputs, such as a property valuation or an appraisal.

The District has the following recurring fair value measurements as of June 30, 2025:

Investments in the Santa Clara County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share.

Policies and Practices

The District is authorized under California Government Code Section 53635 to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium-term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains cash with the County of Santa Clara Investment Pool. The pool has a fair value of approximately $11.45 billion and an amortized book value of $11.43 billion. The average maturity of the pool was 415 days and holds no derivative products.

Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the County of Santa Clara Investment Pool is governed by the County's general investment policy. The investment with the County of Santa Clara Investment Pool is rated at least Aa1 by Moody's Investor Service.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are, therefore, exempt.

3. ACCOUNTS RECEIVABLE

Account receivable consisted of the following as of June 30, 2025:

Receivables	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Nonmajor Funds	Fiduciary Funds	Total
Federal Government	$ 775,417	$ -	$ -	$ 322,098	$ -	$ 1,097,515
State Government	258,117	-	-		-	258,117
Unrestricted	1,104,015	49,459	50,750	7,564	4,180	1,215,968
Local	581,320	-	73,948	81,163	-	736,431
Total Accounts Receivable	$ 2,718,869	$ 49,459	$ 124,698	$ 410,825	$ 4,180	$ 3,308,031

4. LEASES RECEIVABLE

The District is leasing facilities to third parties under noncancellable lease agreements. In August 2021, the District entered into a 10-year lease agreement with at a rate of 2.96%; the agreement expires in July 2031. During the fiscal year, the District recognized $175,076 in lease revenue and $41,885 in interest revenue related to these agreements. Also, the District has a deferred inflow of resources associated with the leases that will be recognized as revenue over the lease term.

The following summarizes the District's changes in leases receivables for the fiscal year ended June 30, 2025:

Description	Balance July 01, 2024	Additions	Deletions	Balance June 30, 2025
Lease Receivable	$ 1,494,610	$ -	$ 175,076	$ 1,319,534
Deferred Inflows of Resources	$ 1,438,484	$ -	$ 205,498	$ 1,232,986

The District's future receipts are as follows:

Fiscal Year	Principal	Interest	Total
2026	$ 203,267	$ 39,337	$ 242,604
2027	182,999	28,049	211,048
2028	212,319	24,768	237,087
2029	225,897	18,300	244,197
2030	240,101	11,422	251,523
2031-2035	254,951	4,115	259,066
Totals	$ 1,319,534	$ 125,991	$ 1,445,525

5. CAPITAL ASSETS DEPRECIATION AND AMORTIZATION

Capital asset activities for the year ended June 30, 2025 were as follows:

Capital Assets	Balance July 01, 2024	Additions	Deletions	Balance June 30, 2025
Land - not depreciable	$ 1,348,687	$ -	$ -	$ 1,348,687
Work-in-progress - not depreciable	5,841,581	301,749	(85,753)	6,057,577
Site improvements	17,666,171	438,706	-	18,104,877
Building and improvements	197,318,531	648,156	-	197,966,687
Furniture and equipment	4,511,351	1,487,415	(24,500)	5,974,266
Total capital assets	226,686,321	2,876,026	(110,253)	229,452,094
Less accumulated depreciation for:				
Site improvements	5,018,805	885,136	-	5,903,941
Building and improvements	108,308,499	6,155,159	-	114,463,658
Furniture and equipment	2,524,197	311,213	(24,500)	2,810,910
Total accumulated depreciation	115,851,501	7,351,508	(24,500)	123,178,509
Total capital assets - net depreciation	$ 110,834,820	$ (4,475,482)	$ (85,753)	$ 106,273,585

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

Instruction	$ 3,741,173
Supervision of instruction	197,287
Instruction library, media, and technology	97,876
School site administration	471,206
Home-to-school transportation	80,381
Food services	196,204
All other pupil services	716,939
Data procession services	70,585
All other general administration	454,313
Plant services	852,221
Community services	26,280
Ancillary services	447,043
Total depreciation expense	$ 7,351,508

6. INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables (Due From/To), 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 occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Interfund Receivables/Payables (Due From/Due To)

Interfund receivables and payables consisted of the following as of June 30, 2025:

Fund	Due From	Due To
General Fund	$ 316,171	$ 6,456,748
Special Reserve Fund For Capital Outlay Projects	6,348,940	-
Nonmajor Funds	107,808	316,171
Totals	$ 6,772,919	$ 6,772,919

Interfund Transfers

Interfund transfers consisted of the following as of June 30, 2025:

Fund	Transfers In	Transfers Out
General Fund	$ -	$ 3,610,323
Special Reserve Fund For Capital Outlay Projects	2,911,591	-
Nonmajor Funds	698,732	-
Totals	$ 3,610,323	$ 3,610,323

7. LONG-TERM LIABILITIES

Schedule of Changes in Long-term Liabilities

The following summarizes the District's changes in long-term liabilities for the fiscal year ended June 30, 2025:

Long-term Liabilities	Balance July 01, 2024	Additions	Adjustments & Deletions	Balance June 30, 2025	Due Within One Year
General Obligation Bonds	$ 81,421,216	$ -	$ 3,217,179	$ 78,204,037	$ 2,440,000
Net Pension Liability	50,561,516	25,883,780	29,843,961	46,601,335	-
Total OPEB Liability	5,865,301	3,664,761	3,183,098	6,346,964	-
Compensated Absences	471,378	-	11,936	459,442	-
Total Long-term Liabilities	$ 138,319,411	$ 29,548,541	$ 36,256,174	$ 131,611,778	$ 2,440,000

Payments on bonds were made from the Bond Interest and Redemption Fund using local revenues. Compensated absences, other postemployment benefits and pension liabilities are paid by the fund for which the employee worked. Capital leases were paid from the General Fund.

Limited and General Obligation Bonds Payable

The following summarizes the bonds outstanding as of June 30, 2025:

Bond	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2024	Issued	Adjustments & Redeemed	Bonds Outstanding June 30, 2025
2014 GOB Series A	2014	2045	2.0-5.0%	$ 45,000,000	$ 385,000	$ -	$ 385,000	$ -
2014 GOB Series B	2016	2036	2.0-4.0%	54,000,000	41,115,000	-	1,840,000	39,275,000
2024 GORB	2024	2044	4.0-5.0%	33,755,000	33,755,000	-	585,000	33,170,000
Subtotal General Obligation Bonds					75,255,000	-	2,810,000	72,445,000
Bond Premiums					6,166,216	-	407,179	5,759,037
Total General Obligation Bonds					$81,421,216	$ -	$ 3,217,179	$ 78,204,037

The annual debt service requirements of the bonds are as follows:

Year Ending June 30	Principal	Interest	Total
2026	$ 2,440,000	$ 2,253,924	$ 4,693,924
2027	2,735,000	2,863,750	5,598,750
2028	3,040,000	2,751,475	5,791,475
2029	3,350,000	2,650,250	6,000,250
2030	3,670,000	2,537,900	6,207,900
2031-2035	24,165,000	10,350,625	34,515,625
2036-2040	19,930,000	5,279,850	25,209,850
2041-2045	13,115,000	1,835,750	14,950,750
2046-2050	-	6,600	6,600
Total Debt Service	$ 72,445,000	$ 30,530,124	$102,975,124

8. CALPERS PENSION PLAN

General Information about the PERS Pension Plan

Plan Description - All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan (the Plan), a cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public

Employees' Retirement Law. The Plans' provisions and benefits in effect at June 30, 2025, are summarized as follows:

	CalPERS	
	Classic	PEPRA
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age: minimum	50	52
Monthly benefits as a % of eligible compensation	(1)	(1)
Required employee contribution rates	7.000%	8.000%
Required employer contribution rates	27.050%	27.050%

(1) Monthly benefit is a product of benefit factor, years of service, and final compensation

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For fiscal year ending June 30, 2025, the State enacted Senate Bill No. 90 which appropriated funding to the Public Employees' Retirement Fund on behalf of the District.

For the year ended June 30, 2025 the District's contributions were as follows:

	CalPERS
Contributions - employer	$ 3,148,440

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

As of June 30, 2025, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability/(Asset)
CalPERS	$ 19,064,505

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2024, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of

contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2024 and 2025 was as follows:

	CalPERS
Proportion - June 30, 2024	0.04869%
Proportion - June 30, 2025	0.05334%
Change - Increase/(Decrease)	0.00049%

For the year ended June 30, 2025, the District recognized pension expense of $3,845,652 for the Plan. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 421,390	$ -
Differences between Expected and Actual Experience	1,598,280	136,444
Differences between Projected and Actual Investment Earnings	740,546	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	52,563
Change in Employer's Proportion	1,260,714	2,925
Pension Contributions Made Subsequent to Measurement Date	3,148,440	-
Total	$ 7,169,370	$ 191,932

The District reported $3,148,440 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2026.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/ (Inflows) of Resources
2026	$ 1,482,654
2027	2,085,432
2028	495,233
2029	(234,321)
2030	-
Thereafter	-
Total	$ 3,828,998

Actuarial Assumptions - The total pension liabilities in the June 30, 2023 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Payroll Growth	2.80%
Projected Salary Increase	(1)
Investment Rate of Return	6.8% (2)
Mortality	(3)

(1) Varies by entry age and service
(2) Net of pension plan investment expenses, including inflation
(3) Derived using CalPERS' membership data for all funds

Discount Rate - The discount rate used to measure the total pension liability was 6.90%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested employer rate plans within the Plan that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested employer rate plans run out of assets. Therefore, the current 6.90% discount rate is adequate and the use of the municipal bond rate calculation is not necessary.

According to Paragraph 30 of GASB 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the CalPERS Plan, the 6.8% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 6.8%. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

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 both short- term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan’s asset classes, expected compound (geometric) returns were calculated over the short-term (first 11 years) and the long-term (60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for the Plan. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value

of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the 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. These geometric rates of return are net of administrative expenses.

Asset Class (a)	Assumed Asset Allocation	Long-Term Expected Real Return (1)(2)
Global Equity Cap Weighted	30.00%	4.54%
Global Equity NonCap Weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
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%
Total	100.00%	

(1) An expected inflation of 2.3% used for this period.
(2) Figures are based on the 2021-22 Asset Liability Study.

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

	CalPERS
1% Decrease	5.90%
Net Pension Liability	$ 28,320,482
Current	6.90%
Net Pension Liability	$ 19,064,505
1% Increase	7.90%
Net Pension Liability	$ 11,418,332

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

9. CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM (STRS) PENSION PLAN

General Information about the STRS Pension Plan

Plan Description - The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information.

Benefits Provided - STRS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. The cost of living adjustments for the Plan are applied as specified by the retirement Law.

The Plan's provisions and benefits in effect at June 30, 2025, are summarized as follows:

	CalSTRS	
	Tier 1	Tier 2
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age:	60	62
Monthly benefits as a % of eligible compensation	2%	2%
Required employee contribution rates	10.250%	10.205%
Required employer contribution rates	19.100%	19.100%
Required State contribution rates	10.828%	10.828%

Contributions - As part of the annual valuation process, the Normal Cost rate is determined as the basis for setting the base member contribution rate for the following fiscal year. Generally, the base member contribution rate is one-half of the Normal Cost rate within certain parameters. Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method.

For the year ended June 30, 2025, the District's contributions were as follows:

	CalSTRS
Employer Contributions	$ 5,660,576
State Contributions	2,529,788
Total	$ 8,190,364

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

As of June 30, 2025, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability/(Asset)
District	$ 27,536,830
State	12,633,898
Total	**$ 40,170,728**

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2024, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The state contributed 9.71 percent of the members' creditable earnings from the fiscal year ending in the prior calendar. Also, as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2045-2046.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2024 and 2025 was as follows:

	CalSTRS
Proportion - June 30, 2024	0.04325%
Proportion - June 30, 2025	0.04100%
Change - Increase/(Decrease)	-0.00112%

For the year ended June 30, 2025, the District recognized pension expense of $4,644,754 for the Plan which included the state contribution of $2,529,788.

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	$ 120,540	$ 1,880,670
Differences between Expected and Actual Experience	3,114,770	1,204,170
Differences between Projected and Actual Investment Earnings	-	111,110
Differences between Employer's Contributions and Proportionate Share of Contributions	139,414	522,427
Change in Employer's Proportion	209,937	2,292,418
Pension Contributions Made Subsequent to Measurement Date	5,660,576	-
Total	$ 9,245,237	$ 6,010,795

The District reported $5,660,576 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2026.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/ (Inflows) of Resources
2026	$ (2,555,011)
2027	1,624,119
2028	(595,298)
2029	(548,334)
2030	11,760
Thereafter	(363,370)
Total	$ (2,426,134)

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

	CalSTRS
1% Decrease	6.10%
Net Pension Liability	$ 48,979,010
Current	7.10%
Net Pension Liability	$ 27,536,830
1% Increase	8.10%
Net Pension Liability	$ 9,631,720

Actuarial Assumptions - The total pension liabilities in the June 30, 2023 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.10%
Inflation	2.75%
Payroll Growth	3.25%
Wage Growth	3.50%
Postretirement Benefit Increases [1]	
Investment Rate of Return [2]	7.10%
Mortality [3]	

[1] 2% simple for DB (annually), maintain 85% purchasing power level for DB. Not applicable for DBS/CBB

[2] Net of investment expense but gross of administrative expenses.

[3] Uses a base year of 2023 and projected improvement is based on the MP-2021 Ultimate Projection Scale.

Discount Rate - The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases 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 plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability. The table below reflects the 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. These rates of return are net of administrative expenses.

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return (a) (b)
Public Equity	38.00%	5.25%
Real Estate	15.00%	4.05%
Private Equity	14.00%	6.75%
Fixed Income	14.00%	2.45%
Risk Mitigation Strategies	10.00%	2.25%
Inflation Sensitive	7.00%	3.65%
Liquidity	2.00%	0.05%
Total	100.00%	

(a) In the System's ACFR, Fixed Income is included in Global Debt Securities; Liquidity Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) Real return is net of assumed 2.75% inflation.

(c) 20-to 30-year geometric average.

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued STRS financial reports.

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description - The District's Postemployment Healthcare Plan (PHP) is a single-employer defined benefit healthcare plan including medical, dental, and vision benefits for the below groups of employees.

Benefits Provided - The following summarizes the benefits in the plan:

	Certificated	Classified	Management
Benefits Provided:	Medical, Dental and Vision	Medical, Dental and Vision	Medical, Dental and Vision
Duration of Benefits:	To age 65	To age 65	To age 65
Required Services:	20 years**	10 years	10 years
Minimum Age:	58**	55	55
Dependent Coverage:	Yes	Yes	Yes
Contribution Percentage:	Based on age at retirement: 75% at age 55 plus 5% per additional year to 100% at age 60**	Based on age at retirement: 75% at age 55 plus 5% per additional year to 100% at age 60**	Based on age at retirement: 75% at age 55 plus 5% per additional year to 100% at age 60**
Cap:	None*	None*	None*

Employees Covered by Benefit Terms - The benefit terms covered the following employees:

Active employees	278
Inactive employees	39
Total employees	317

Contributions - The District makes contributions based on an actuarially determined rate and are approved by the authority of the District's Board. Total contributions or benefit payments to the OPEB plan during the fiscal year were $262,865. Employees are not required to contribute to the plan. There have been no assets accumulated in a trust to provide for the benefits of this plan.

Actuarial Assumptions - The following summarized the actuarial assumptions for the OPEB plan included in this fiscal year:

Valuation Date:	June 30, 2024
Measurement Date:	June 30, 2024
Actuarial Cost Method:	Entry-Age Normal Cost Method
Amortization Period:	20 years
Actuarial Assumptions:	
Discount Rate	3.65%
Inflation	2.50%
Payroll Increases	2.75%
Trend Rate	3.93%
Municipal Bond Rate	4.00%
Mortality	2016 CalSTRS and 2017 CalPERS Misc

Notes:
The discount rate remained the same as 3.69%

Discount Rate - The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Changes in the Total OPEB Liability - The following summarizes the changes in the total OPEB liability during the year ended June 30, 2025, for the measurement date of June 30, 2024:

Fiscal Year Ended June 30, 2025 (Measurement Date June 30, 2024)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2024	$ 5,865,301	$ -	$ 5,865,301
Service cost	514,022	-	514,022
Interest in Total OPEB Liability	230,506	-	230,506
Benefit payments	(262,865)	-	(262,865)
Net changes	481,663	-	481,663
Balance at June 30, 2025	$ 6,346,964	$ -	$ 6,346,964

Covered Employee Payroll	$ 36,100,485
Total OPEB Liability as a % of Covered Employee Payroll	17.58%
Service Cost as a % of Covered Employee Payroll	1.42%
Net OPEB Liability as a % of Covered Employee Payroll	17.58%

The District's plan is nonfunded, meaning there have not been assets placed into an irrevocable trust, therefore the plan fiduciary net position is zero.

Deferred Inflows and Outflows of Resources - At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	$ -	$ 1,767,703
Change in assumptions	-	447,825
OPEB contribution subsequent to measurement date	251,199	-
Totals	$ 251,199	$ 2,215,528

Of the total amount reported as deferred outflows of resources related to OPEB, $251,199 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the year ended June 30, 2026.

Amounts reported as deferred outflows/inflows of resources will be recognized in OPEB expense as follows:

Year Ended June 30,	
2026	$ (226,943)
2027	(226,943)
2028	(226,943)
2029	(226,943)
2030	(231,080)
Thereafter	(1,076,676)
Total	$ (2,215,528)

OPEB Expense - The following summarizes the OPEB expense by source during the year ended June 30, 2025:

Service cost	$ 514,022
Interest in TOL	230,506
Difference between actual and expected experience	(178,146)
Change in assumptions	(48,798)
OPEB Expense	**$ 517,584**

The following summarizes changes in the total OPEB liability as reconciled to OPEB expense during the year ended June 30, 2025:

Total OPEB liability ending	$ 6,346,964
Total OPEB liability beginning	(5,865,301)
Change in total OPEB liability	481,663
Changes in deferred outflows	453,506
Changes in deferred inflows	(680,450)
Employer contributions and implicit subsidy	262,865
OPEB Expense	**$ 517,584**

Sensitivity to Changes in the Municipal Bond Rate - The total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a municipal bond rate that is one percentage point lower or one percentage point higher, is as follows:

	Trend Rate		
	(1% Decrease)	**5.00%**	**(1% Increase)**
Total OPEB Liability	$ 5,710,231	$ 6,346,964	$ 7,080,409

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

	Municipal Bond Rate		
	(1% Decrease)	**1.92%**	**(1% Increase)**
Total OPEB Liability	$ 6,785,816	$ 6,346,964	$ 5,931,287

11. COMMITMENTS AND CONTINGENCIES

Litigation

Various claims involving the District arise during the normal course of business. However, management believes, based on consultation with legal counsel, that the ultimate resolution of these matters will not have a material adverse effect on the District’s financial position or results of operations.

Federal and State Allowances, Awards and Grants

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 generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

REQUIRED SUPPLEMENTARY INFORMATION

LOS GATOS - SARATOGA UNION HIGH SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (GAAP)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Budgeted Amounts			Variance with Final Budget Positive - (Negative)
	Original	Final	Actual (GAAP Basis)	
Revenues:				
LCFF sources	$ 68,984,760	$ 68,472,184	$ 68,373,381	$ (98,803)
Federal	847,740	912,108	861,608	(50,500)
Other state	4,393,361	4,835,164	4,877,120	41,956
Other local	7,096,042	7,423,917	8,818,392	1,394,475
Total revenues	81,321,903	81,643,373	82,930,501	1,287,128
Expenditures:				
Certificated salaries	27,821,787	29,854,169	29,986,129	(131,960)
Classified salaries	11,800,844	12,526,015	12,896,493	(370,478)
Employee benefits	21,624,477.00	22,169,345	22,041,326	128,019
Books and supplies	3,015,722	2,556,526	2,043,089	513,437
Services and other operating expenditures	12,312,696	13,538,689	13,694,081	(155,392)
Capital outlay	30,000	547,565	573,837	(26,272)
Other outgo	243,788.00	246,788	305,311	(58,523)
Total expenditures	76,849,314	81,439,097	81,540,266	(101,169)
Excess (deficiency) of revenues over (under) expenditures	4,472,589	204,276	1,390,235	1,185,959
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(2,791,128)	(3,032,691)	(3,610,323)	(577,632)
Total other financing sources (uses)	(2,791,128)	(3,032,691)	(3,610,323)	(577,632)
Net change in fund balances	1,681,461	(2,828,415)	(2,220,088)	608,327
Fund balances beginning	15,730,005	15,730,005	15,730,005	-
Fund balances ending	$ 17,411,466	$ 12,901,590	$ 13,509,917	$ 608,327

The budgetary control level is by object on the modified accrual basis per U.S.GAAP. Expenditures can not legally exceed appropriations by major object. Any excesses were not in accordance with Education Code 42600.

Los Gatos - Saratoga Union High School District
Schedule of CalPERS Pension Plan Contributions
For the Fiscal Year Ended June 30, 2025

Plan Measurement Date	**2015**	**2016**	**2017**	**2018**	**2019**
Fiscal Year Ended	**2016**	**2017**	**2018**	**2019**	**2020**
Contractually Required Contributions	$ 756,193	$ 890,435	$ 963,869	$ 1,215,084	$ 1,306,573
Contributions in Relation to Contractually Required Contributions	756,193	890,435	963,869	1,215,084	1,306,573
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 6,382,991	$ 6,411,542	$ 6,206,097	$ 6,727,295	$ 6,625,288
Contributions as a % of Covered Payroll	11.85%	13.89%	15.53%	18.06%	19.72%

Plan Measurement Date	**2020**	**2021**	**2022**	**2023**	**2024**
Fiscal Year Ended	**2021**	**2022**	**2023**	**2024**	**2025**
Contractually Required Contributions	$ 1,329,018	$ 1,716,038	$ 2,152,894	$ 2,809,292	$ 3,148,440
Contributions in Relation to Contractually Required Contributions	1,329,018	1,716,038	2,152,894	2,809,292	3,148,440
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 6,420,377	$ 7,490,345	$ 8,485,983	$ 10,662,703	$11,639,335
Contributions as a % of Covered Payroll	20.70%	22.91%	25.37%	26.35%	27.05%

Notes to Schedule:

Valuation Date: June 30, 2023

Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll and Direct Rate Smoothing
3.9 Years Remaining Amortization Period
Inflation Assumed at 2.30%
Investment Rate of Returns set at 6.8%
CalPERS mortality table based on CalPERS' experience and include 15 years of projected ongoing mortality improvement using 90 percent of Scale MP 2016 published by the Society of Actuaries.

The CalPERS discount rate was increased from 7.5% to 7.65% in the District's fiscal year 2016, to 7.15% in FY18, and then decreased to 6.90% in FY24.

The CalPERS inflation assumption was decreased from 2.75% to 2.50% during the District's fiscal year 2019, and to 2.30% in FY24.

The CalPERS mortality assumptions was adjusted in the District's fiscal year 2024.

In 2019, the amortization period for actuarial gains and losses was shortened from 30 years to 20 years.

This schedule presents information on the District’s portion of the net pension liability of CalPERS in compliance with GASB 68.

Los Gatos - Saratoga Union High School District
Schedule of CalPERS Proportionate Share
of Net Pension Liability
For the Fiscal Year Ended June 30, 2025

Plan Measurement Date Fiscal Year Ended	2015 2016	2016 2017	2017 2018	2018 2019	2019 2020
Proportion of Net Pension Liability	0.05619%	0.05297%	0.05055%	0.04706%	0.04857%
Proportionate Share of Net Pension Liability	$ 8,282,421	$ 10,460,780	$ 12,066,953	$ 12,547,875	$ 14,155,168
Covered Payroll	$ 5,449,894	$ 6,382,991	$ 6,411,542	$ 6,206,097	$ 6,727,295
Proportionate Share of NPL as a % of Covered Payroll	151.97%	163.89%	188.21%	202.19%	210.41%
Plan's Fiduciary Net Position as a % of the TPL	79.43%	73.90%	71.87%	70.85%	70.05%

Plan Measurement Date Fiscal Year Ended	2020 2021	2021 2022	2022 2023	2023 2024	2024 2025
District's Proportion of Net Pension Liability	0.04605%	0.04517%	0.04871%	0.04869%	0.05334%
Proportionate Share of Net Pension Liability	$ 14,129,509	$ 9,185,163	$ 16,760,031	$ 17,623,911	$ 19,064,505
Covered Payroll	$ 6,625,288	$ 6,420,377	$ 7,490,345	$ 8,485,983	$ 10,662,703
Proportionate Share of NPL as a % of Covered Payroll	213.27%	143.06%	223.76%	207.68%	178.80%
Plan's Fiduciary Net Position as a % of the TPL	70.00%	80.97%	69.76%	69.96%	72.29%

The CalPERS discount rate was increased from 7.5% to 7.65% in the District's fiscal year 2016, to 7.15% in FY18, and then decreased to 6.90% in FY24.
The CalPERS inflation assumption was decreased from 2.75% to 2.50% during the District's fiscal year 2019, and to 2.30% in FY24.
The CalPERS mortality assumptions was adjusted in the District's fiscal year 2014.
In 2019, the amortization period for actuarial gains and losses was shortened from 30 years to 20 years.
This schedule presents information on the District's portion of the net pension liability of CalPERS in compliance with GASB 68.

Los Gatos - Saratoga Union High School District
Schedule of CalSTRS Pension Plan Contributions
For the Fiscal Year Ended June 30, 2025

Plan Measurement Date	**2015**	**2016**	**2017**	**2018**	**2019**
Fiscal Year Ended	**2016**	**2017**	**2018**	**2019**	**2020**
Contractually Required Contributions	$ 2,296,092	$ 2,827,584	$ 3,351,345	$ 3,966,598	$ 4,141,964
Contributions in Relation to Contractually Required Contributions	2,296,092	2,827,584	3,351,345	3,966,598	4,141,964
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$21,398,807	$22,476,820	$23,224,844	$24,364,853	$24,222,012
Contributions as a % of Covered Payroll	10.73%	12.58%	14.43%	16.28%	17.10%

Plan Measurement Date	**2020**	**2021**	**2022**	**2023**	**2024**
Fiscal Year Ended	**2021**	**2022**	**2023**	**2024**	**2025**
Contractually Required Contributions	$ 3,917,536	$ 4,287,048	$ 5,081,104	$ 5,198,389	$ 5,660,576
Contributions in Relation to Contractually Required Contributions	3,917,536	4,287,048	5,081,104	5,198,389	5,660,576
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$24,257,189	$25,337,163	$26,602,639	$27,219,819	$29,636,524
Contributions as a % of Covered Payroll	16.15%	16.92%	19.10%	19.10%	19.10%

Notes to Schedule:

Valuation Date: June 30, 2023

Assumptions Used: Entry Age Method used for Actuarial Cost Method
Level Percentage of Payroll Basis
7 Years Remaining Amortization Period
Inflation Assumed at 2.75%
Investment Rate of Returns set at 7.10%
Mortality tables use a base year of 2023 and projected improvement is based on the MP-2021 Ultimate Projection Scale.

The CalSTRS discount rate was decreased from 7.6% to 7.1% in the District's fiscal year 2017.
The CalSTRS investment rate of return was decreased from 7.6% to 7.1% during the District's fiscal year 2017.
The CalSTRS inflation rate was decreased from 3% to 2.75% during the District's fiscal year 2017.
The CalSTRS wage growth was decreased from 3.75% to 3.5% during the District's fiscal year 2017.
This schedule provides information about the District’s required and actual contributions to CalSTRS during the year.

Los Gatos - Saratoga Union High School District
Schedule of CalSTRS Proportionate Share of Net Pension Liability
For the Fiscal Year Ended June 30, 2025

Plan Measurement Date Fiscal Year Ended	2015 2016	2016 2017	2017 2018	2018 2019	2019 2020
Proportion of Net Pension Liability	0.04340%	0.04192%	0.04268%	0.04322%	0.04488%
Proportionate Share of Net Pension Liability	$ 29,219,390	$ 33,909,258	$39,473,161	$39,723,824	$40,529,826
State's Proportionate Share of Net Pension Liability Associated with the District	15,453,843	19,303,862	23,351,927	22,743,875	22,111,857
	$ 44,673,233	$ 53,213,120	$62,825,088	$62,467,699	$62,641,683
Covered Payroll	$ 20,681,441	$ 21,398,807	$22,476,820	$23,224,844	$24,364,853
Proportionate Share of NPL as a % of Covered Payroll	141.28%	158.46%	175.62%	171.04%	166.35%
Plan's Fiduciary Net Position as a % of the TPL	74.02%	70.04%	69.46%	70.99%	72.56%

Plan Measurement Date Fiscal Year Ended	2020 2021	2021 2022	2022 2023	2023 2024	2024 2025
Proportion of Net Pension Liability	0.04421%	0.04456%	0.04373%	0.04325%	0.04100%
Proportionate Share of Net Pension Liability	$ 42,843,973	$ 20,277,653	$30,386,868	$32,937,605	$27,536,830
State's Proportionate Share of Net Pension Liability Associated with the District	22,086,068	10,202,904	15,217,743	15,781,395	12,633,898
	$ 64,930,041	$ 30,480,557	$45,604,611	$48,719,000	$40,170,728
Covered Payroll	$ 24,222,012	$ 24,257,189	$25,337,163	$26,602,639	$27,219,819
Proportionate Share of NPL as a % of Covered Payroll	176.88%	83.59%	119.93%	123.81%	101.16%
Plan's Fiduciary Net Position as a % of the TPL	71.82%	87.21%	81.20%	80.62%	83.55%

The CalSTRS discount rate was decreased from 7.6% to 7.1% in the District's fiscal year 2017.
The CalSTRS investment rate of return was decreased from 7.6% to 7.1% during the District's fiscal year 2017.
The CalSTRS inflation rate was decreased from 3% to 2.75% during the District's fiscal year 2017.
The CalSTRS wage growth was decreased from 3.75% to 3.5% during the District's fiscal year 2017.

This schedule presents information on the District’s portion of the net pension liability of CalSTRS in compliance with GASB 68.

Los Gatos - Saratoga Union High School District

Schedule of Changes in Total OPEB Liability

For the Fiscal Year Ended June 30, 2025

Fiscal Year Ended	2018	2019	2020	2021	2022	2023	2024	2025
Total OPEB liability								
Service cost	$ 492,200	$ 505,736	$ 544,039	$ 524,339	$ 541,897	$ 489,001	$ 494,252	$ 514,022
Interest	163,912	170,352	194,836	159,466	168,599	265,418	290,022	230,506
Diff. expected and actual experience	-	-	755,456	-	(64,272)	-	(2,291,879)	-
Changes of assumptions	-	119,977	332,269	24,582	(737,928)	(64,498)	(189,438)	-
Benefit payments	(113,650)	(118,196)	(113,154)	(156,965)	(163,224)	(216,129)	(272,695)	(262,865)
Net change in Total OPEB Liability	542,462	677,869	1,713,446	551,422	(254,928)	473,792	(1,969,738)	481,663
Total OPEB Liability - beginning	4,130,976	4,673,438	5,351,307	7,064,753	7,616,175	7,361,247	7,835,039	5,865,301
Total OPEB Liability - ending	$ 4,673,438	$ 5,351,307	$ 7,064,753	$ 7,616,175	$ 7,361,247	$ 7,835,039	$ 5,865,301	$ 6,346,964
Covered Employee Payroll	$ 31,113,964	$ 32,713,367	$ 32,365,617	$ 32,551,509	$ 35,219,466	$ 37,238,956	$ 35,134,292	$ 36,100,485
TOL as a % of covered employee payroll	15.02%	16.36%	21.83%	23.40%	20.90%	21.04%	16.69%	17.58%

Other Notes

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June

No change in benefit terms.

Discount rates decreased from 3.13% to 2.45% from 2020 to 2021 and then to 3.65 in 2025

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Page Intentionally Left Blank

SUPPLEMENTARY INFORMATION

Page Intentionally Left Blank

Nonmajor Governmental Funds
Combining Schedules

LOS GATOS - SARATOGA UNION HIGH SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2025

	Special Revenue Funds		Capital Projects Funds	Debt Service Funds	
	Student Activity Fund	Cafeteria Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Nonmajor Funds
Assets					
Cash and investments	$ 1,462,333	$ 27,350	$ 750,264	4,246,477	$ 6,486,424
Accounts receivable	-	323,312	67,737	19,776	410,825
Due from other funds	-	107,808	-	-	107,808
Stores inventories	-	10,013	-	-	10,013
Total Assets	$ 1,462,333	$ 468,483	$ 818,001	$ 4,266,253	$ 7,015,070
Fund Balances					
Liabilities:					
Accounts payable	$ 20,935	$ 76,555	$ 4,110	$ -	$ 101,600
Due to other funds	-	316,171	-	-	316,171
Unearned revenue	-	62,120	-	-	62,120
Total Liabilities	20,935	454,846	4,110	-	479,891
Fund balances:					
Nonspendable stores inventories	-	10,013	-	-	10,013
Restricted for debt service	-	-	-	4,266,253	4,266,253
Restricted for cafeteria programs	-	3,624	-	-	3,624
Restricted for capital projects	-	-	786,171	-	786,171
Restricted for educational programs	1,441,398	-	-	-	1,441,398
Assigned for capital project	-	-	27,720	-	27,720
Total Fund Balances	$ 1,441,398	$ 13,637	$ 813,891	$ 4,266,253	$ 6,535,179
Total Liabilities and Fund Balances	$ 1,462,333	$ 468,483	$ 818,001	$ 4,266,253	$ 7,015,070

LOS GATOS - SARATOGA UNION HIGH SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Special Revenue Funds		Capital Projects Funds	Debt Service Funds	
	Student Activity Fund	Cafeteria Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Total Nonmajor Funds
Revenues:					
Federal	$ -	$ 204,914	$ -	$ -	$ 204,914
Other state	-	1,216,572	-	10,076	1,226,648
Other local	3,803,084	138,457	281,365	5,418,612	9,641,518
Total revenues	3,803,084	1,559,943	281,365	5,428,688	11,073,080
Expenditures:					
Pupil services:					
Food services	-	2,308,188	-	-	2,308,188
Ancillary services	3,667,573	-	-	-	3,667,573
Facility acquisition and construction	-	-	24,950		24,950
Debt service:					
Principal	-	-	-	2,810,000	2,810,000
Interest and issuance costs	-	-	-	2,384,083	2,384,083
Total expenditures	3,667,573	2,308,188	24,950	5,194,083	11,194,794
Excess (deficiency) of revenues over (under) expenditures	135,511	(748,245)	256,415	234,605	(121,714)
Other financing sources (uses):					
Transfers in	-	698,732	-	-	698,732
Total other financing sources (uses)	-	698,732	-	-	698,732
Net change in fund balances	135,511	(49,513)	256,415	234,605	577,018
Fund balances beginning	1,305,887	63,150	557,476	4,031,648	5,958,161
Fund balances ending	$ 1,441,398	$ 13,637	$ 813,891	$ 4,266,253	$ 6,535,179

Page Intentionally Left Blank

STATE AND FEDERAL AWARD COMPLIANCE SECTION

LOS GATOS - SARATOGA UNION HIGH SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Total ADA		Classroom Based	
	Second Period Report	Annual Report	Second Period Report	Annual Report
Regular ADA:				
Grades nine through twelve	2,895.94	2,891.36	2,895.94	2,891.36
Special Educatoin, Nonpublic, Nonsectarian Schools:				
Grades nine through twelve	11.04	11.03	11.04	11.03
Extended Year Special Educatoin, Nonpublic, Nonsectarian Schools:				
Grades nine through twelve	0.81	0.81	0.81	0.81
ADA Totals	2,907.79	2,903.20	2,907.79	2,903.20

LOS GATOS - SARATOGA UNION HIGH SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Grade Level	Minutes Requirements	2025 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grade 9	64,990	65,190	180	0	In compliance
Grade 10	64,990	65,190	180	0	In compliance
Grade 11	64,990	65,190	180	0	In compliance
Grade 12	64,990	65,190	180	0	In compliance

School Districts and charter scholls must maintain their instructional minutes as defined in Education Code Section 46207. This Schedule is required of all districts and charter schools, including asic aid districts.

LOS GATOS - SARATOGA UNION HIGH SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	(Budget [1]) 2026	2025	2024	2023
General Fund				
Revenues and other financial sources	$ 84,837,815	$ 82,930,501	$ 80,534,871	$ 75,076,948
Expenditures	85,735,974	81,540,266	77,094,919	69,919,930
Other uses and transfers out	-	3,610,323	3,205,877	3,371,358
Total outgo	85,735,974	85,150,589	80,300,796	73,291,288
Change in fund balance	$ (898,159)	$ (2,220,088)	$ 234,075	$ 1,785,660
Ending fund balance	$ 12,611,758	$ 13,509,917	$ 15,730,005	$ 13,574,088
Available reserves [(2)]	$ 3,709,078	$ 9,488,286	$ 9,703,716	$ 10,612,350
Unassigned - Reserved for economic uncertainties	$ 3,709,078	$ 3,624,078	$ 6,518,538	$ 10,612,350
Unassigned fund balance	$ -	$ 5,864,208	$ 3,185,178	$ -
Available reserves as a percentage of total outgo	4.33%	11.14%	12.08%	14.48%
Total long-term debt	$ 129,171,778	$ 131,611,778	$ 138,319,411	$ 141,805,395
Average daily attendance at P-2	2,881	2,908	3,014	3,071

Average daily attendance has decreased by 163 over the past three years. The district anticipates a decrease of 27 ADA.

The fund balance in the General Fund has decreased by $64,171 over the past three years. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, other uses (total outgo).

The district had an operating surplus in two of the past three years. Total long-term liabilities has decreased by $10,193,617 over the past three years.

[1] Budget numbers are based on the first adopted budget of the fiscal year 2025/26.

[2] Available reserves consists of all unassigned fund balances in the general fund, which includes the reserve for economic uncertainties.

Los Gatos - Saratoga Union High School District
Schedule of Charter Schools (Unaudited)
June 30, 2025

The purpose of this schedule is to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit. There were no charter schools to be reported.

LOS GATOS - SARATOGA UNION HIGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Program Name		Assistance Listing	Pass Through Number	Program Expenditures
U. S. DEPARTMENT OF EDUCATION				
Passed Through California Department of Education:				
Special Education Cluster				
Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611	(1)	84.027	13379	$ 669,513
Special Ed: IDEA Mental Health Allocation Plan, Part B, Sec 611	(1)	84.027A	15197	38,109
Total Special Education Cluster				707,622
ESSA: Title II, Part A, Supporting Effective Instruction		84.367	14341	44,592
Department of Rehabilitation: Workability II, Transitions Partnership Program		84.126	10006	83,427
Perkins Career and Technical Education Improvement Act of 2006 Rural Community Equipment Grants		84.048	15294	25,967
TOTAL U. S. DEPARTMENT OF EDUCATION				861,608
U. S. DEPARTMENT OF AGRICULTURE				
Passed Through California Department of Education:				
Nutrition Program Cluster				
Child Nutrition: Supply Chain Assistance (SCA) Funds		10.555	15655	89,771
National School Lunch Program		10.555	13524	204,914
NSLP Equipment Assistance Grants		10.579	14906	86,376
Total Nutrition Program Cluster				381,061
TOTAL U. S. DEPARTMENT OF AGRICULTURE				381,061
TOTAL FEDERAL PROGRAMS				$ 1,242,669

(1) Audited as major program

LOS GATOS - SARATOGA UNION HIGH SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
TO THE AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	General Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Other Nonmajor Governmental Funds
June 30, 2025 Annual Financial and Budget Report Fund Balances	$ 8,134,808	$ 5,414,463	$ 14,449,081	$ 11,879,866
Adjustments and Reclassifications:				
Lease receivable	(175,076)	-	-	-
Deferred inflow of resources from leases	205,498	-	-	-
GASB 54 reclassifications	5,344,687	-	-	(5,344,687)
June 30, 2025 Audited Financial Statements Fund Balances	$ 13,509,917	$ 5,414,463	$ 14,449,081	$ 6,535,179

1. PURPOSE OF SCHEDULES

A. Schedule of Average Daily Attendance

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

B. Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day and Longer Instructional Year. 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 and whether the Charter Schools complied with Education Code Sections 47612 and 47612.5.

C. Schedule of Financial Trends and Analysis

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

D. Schedule of Charter Schools

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit.

E. Schedule of Expenditures of Federal Awards

Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with Uniform Guidance requirements.

F. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds reported on the SACS report to the audited financial statements.

2. RESULTS OF RECONCILIATIONS OF EXPENDITURES PER SCHEDULE OF GRANT ACTIVITY WITH THE DISTRICT'S ACCOUNTING SYSTEM

There were no unreconciled differences between the District's records and the Schedule of Federal Grant Activity as shown on the Schedule of Expenditures of Federal Awards.

3. BASIS OF PRESENTATION – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the modified 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 Regulations, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

4. SUMMARY OF SIGNIFICANT ACCOUNTNG POLICIES – SCHEDULE OF XPENDITURES OF FEDERAL AWARDS

Expenditures reported on the schedule are reported on the modified basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District has elected not to use the 15 percent de minimus indirect cost rate as allowed under Uniform Guidance.

Page Intentionally Left Blank

OTHER INFORMATION

The Los Gatos - Saratoga Union High School District was organized 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 nine through twelve as mandated by the State of California. The District operates two high school and one alternative education program. There were no boundary changes during the year.

The Board of Education for the fiscal year ended June 30, 2025, was comprised of the following members:

Governing Board

Name	Office	Term Expires
Steve Chen	Board President	2026
Katherine Tseng	Vice President	2028
Theresa Bond	Clerk	2028
Dr. Misty Davies	Trustee	2026
Shawn Mortensen	Trustee	2026

Administration

Heath Rocha
Superintendent

Patrick Bernhardt
Chief Business Officer

OTHER INDEPENDENT AUDITOR'S REPORTS

Chavan and Associates, llp
Certified Public Accountants

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
Los Gatos - Saratoga Union High School District
Los Gatos, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Los Gatos - Saratoga Union High School District (the District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2025.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

16450 Monterey Road, Ste. #5, Morgan Hill, CA 95037
Tel: 408-217-8749 • E-Fax: 408-872-4159
info@cnallp.com • www.cnallp.com

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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,* which is described in the accompanying schedule of findings and questions costs as findings 2025-001.

District's Response to Findings

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

December 15, 2025
Morgan Hill, California

Chavan and Associates, llp
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Trustees
Los Gatos - Saratoga Union High School District
Los Gatos, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Los Gatos - Saratoga Union High School District's (the District) compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2025. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

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 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 Los Gatos - Saratoga Union High 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 programs. Our audit does not provide a legal determination of Los Gatos - Saratoga Union High 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

16450 Monterey Road, Ste. #5, Morgan Hill, CA 95037
Tel: 408-217-8749 • E-Fax: 408-872-4159
info@cnallp.com • www.cnallp.com

requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on 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 the District's compliance with the requirements of each major federal programs.

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 Los Gatos - Saratoga Union High 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 Los Gatos - Saratoga Union High 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 Los Gatos - Saratoga Union High 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 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.

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.

C & A LLP

December 15, 2025
Morgan Hill, California

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

The Honorable Board of Trustees
Los Gatos - Saratoga Union High School District
Los Gatos, California

Report on State Compliance

Opinion

We have audited the Los Gatos - Saratoga Union High School District's (the District) compliance with the types of compliance requirements described in the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, that could have a direct and material effect on each of the District's state programs identified below for the year ended June 30, 2025.

Qualified Opinion on State Compliance

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, Los Gatos - Saratoga Union High School District complied, in all material respects, with the laws and regulations of the State Programs noted in the table below for the fiscal year ended June 30, 2025.

Basis for Opinion on State Compliance Requirements

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 *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting (Audit Guide)*, published by the Education Audit Appeals Panel. Our responsibilities under those standards 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 Los Gatos - Saratoga Union High 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 the state programs identified in the *Audit Guide*. Our audit does not provide a legal determination of Los Gatos - Saratoga Union High School District's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinion on State Compliance

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying Schedule of Findings and Questioned Costs as item 2025-001. The District did not comply with requirements regarding Classroom Teacher Salaries. Compliance with such

requirements is necessary, in our opinion, for the District to comply with the requirements applicable to the program.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of State 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 Los Gatos - Saratoga Union High 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 *Audit Guide* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance 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. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Los Gatos - Saratoga Union High School District's compliance with the requirements of applicable state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the 2023-24 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:

2024-25 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Independent Study	N/A
Continuation Education	N/A
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	N/A
Apprenticeship: Related and Supplemental Instruction	N/A
Comprehensive School Safety Plan	Yes
District of Choice	N/A
Home to School Transportation Reimbursement	Yes
School Districts, County Offices of Education, & Charter Schools	
Proposition 28 Arts and Music in Schools	Yes
After School Education and Safety Program:	
General Requirements	N/A
After School	N/A
Before School	N/A
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	N/A
Immunization	N/A
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	N/A
Career Technical Education Incentive Grant	N/A
Expanded Learning Opportunities Program	N/A
Transitional Kindergarten	N/A
Kindergarten Continuance	N/A
Charter Schools:	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study for Districts	N/A
Determination of Funding for Nonclassroom - Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

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 a 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 from those charged with governance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2024-25 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting.* Accordingly, this report is not suitable for any other purpose.

C & A LLP

December 15, 2025
Morgan Hill, California

16450 Monterey Road, Ste. #5, Morgan Hill, CA 95037
Tel: 408-217-8749 • E-Fax: 408-872-4159
info@cnallp.com • www.cnallp.com

FINDINGS AND RECOMMENDATIONS

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	**Unmodified**
Internal control over financial reporting:	
Material weaknesses?	____ Yes __x__ No
Significant deficiencies identified not considered to be material weaknesses?	____ Yes __x__ None Reported
Non-compliance material to financial statements noted?	____ Yes __x__ No

Federal Awards

Internal control over major programs:	
Material weaknesses?	____ Yes __x__ No
Significant deficiencies identified not considered to be material weaknesses?	____ Yes __x__ None Reported
Type of auditor's report issued on compliance over 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:

Assistance Listing	Name of Federal Program
84.027	Special Education Cluster

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000
Auditee qualified as low risk auditee?	__x__ Yes ____ No

State Awards

Internal control over state programs:	
Material weaknesses?	____ Yes __x__ No
Significant deficiencies identified not considered to be material weaknesses?	__x__ Yes ____ None Reported
Type of auditor's report issued on compliance over state programs:	**Qualified**

Section II - Financial Statement Findings

No findings noted

Section III - Federal Award Findings and Questioned Costs

No findings noted

Section IV - State Award Findings and Questioned Costs

Finding 2025-001; Classroom Teacher Salaries (61000)

Criteria or Specific Requirements: California Education Code section 41372 requires that high school districts with ADA of at least 101 in the previous fiscal year, must have 50% of its current cost of education expended for classroom compensation.

Condition: The District's current cost of education expended for classroom compensation was 48.28% for the fiscal year ended June 30, 2025. The District's current expense of education for June 30, 2025 was $75,524,282 which left the District deficient by $1,299,018.

Questioned Costs: The District did not meet the minimum requirement by $1,299,018.

Effect: The District didn't meet the 50% requirement.

Cause: The District has experienced financial hardships that have made it difficult to meet this compliance requirement. Many districts have cited the amount of one-time funds and not being able to use them for on-going expenses, is a constraint on this requirement. Even though the expenses may be instructional in nature, because they are not salary/benefits, they do not count in the calculation.

Recommendation: The District has already filed an application for exemption. However, the District should continue to monitor this ratio in its future budgets and plan accordingly in order to meet the 50% base requirement.

Corrective Action Plan: The District will continue to make adjustments to move toward the 50% requirement.

Section II - Financial Statement Findings

No findings noted

Section III - Federal Award Findings and Questioned Costs

No findings noted

Section IV - State Award Findings and Questioned Costs

No findings noted