

Financial Statements
June 30, 2025

Kerman Unified School District

Independent Auditor's Report	1
Management's Discussion and Analysis	5
Government-Wide Financial Statements	
Statement of Net Position	15
Statement of Activities.....	16
Statement of Activities.....	17
Government Fund Financial Statements	
Balance Sheet – Governmental Funds	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Notes to Financial Statements	23
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	64
Schedule of Changes in the District's Total OPEB Liability and Related Ratios	65
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program	67
Schedule of the District's Proportionate Share of the Net Pension Liability – CalSTRS	69
Schedule of the District's Proportionate Share of the Net Pension Liability – CalPERS	70
Schedule of the District's Contributions – CalSTRS.....	71
Schedule of the District's Contributions – CalPERS	72
Notes to Required Supplementary Information	73
Supplementary Information	
Schedule of Expenditures of Federal Awards	75
Schedule of Average Daily Attendance	78
Schedule of Instructional Time	79
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	80
Schedule of Financial Trends and Analysis	81
Combining Balance Sheet – Non-Major Governmental Funds	82
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds.....	83
Notes to Supplementary Information.....	85
Other Information	
Local Education Agency Organization Structure (Unaudited)	87
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 <i>Government Auditing Standards</i>	88

Independent Auditor’s Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance 90

Independent Auditor’s Report on State Compliance and on Internal Control Over Compliance 93

Schedule of Findings and Questioned Costs

 Summary of Auditor’s Results..... 97

 Financial Statement Findings 98

 Federal Awards Findings and Questioned Costs..... 99

 State Compliance Findings and Questioned Costs..... 100

 Summary Schedule of Prior Audit Findings..... 102



Independent Auditor's Report

To the Governing Board
Kerman Unified School District
Kerman, California

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kerman Unified 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Kerman Unified School District, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

Adoption of New Accounting Standard

As discussed in Note 15 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* for the year ended June 30, 2025. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2024, to restate beginning net position. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 changes in the District's total OPEB liability and related ratios, schedule of the District's proportionate share of the net OPEB liability – MPP program, schedule of the District's proportionate share of the net pension liability - CalSTRS, schedule of the District's proportionate share of the net pension liability - CalPERS, schedule of the District's contributions - CalSTRS, and schedule of the District's contributions - CalPERS 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 GAAS, 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 Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditures of Federal Awards, combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents 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 statements. The other information comprises the Local Education Agency Organization Structure 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 9, 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fresno, California
December 9, 2025



Kerman Unified School District

Gordon Pacheco, District Superintendent
Kraig L. Magnussen, Assistant Superintendent/Chief Business Official
Gabe Melgoza, Assistant Superintendent Personnel
Sandeep Jaspal, Assistant Superintendent Educational Services

Board of Trustees
Daniel Babshoff
Maria S. Cantu
Julie Gragnani
Kindra Melgoza
Jim Volkoff

This section of Kerman Unified School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2025, with comparative information for the fiscal year ended June 30, 2024. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets), deferred outflows of resources, as well as all liabilities (including long-term liabilities), and deferred inflows of resources. Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for governmental activities.

The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Kerman Unified School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

These two statements report the District's net position and changes in net position. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

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

In the *Statement of Net Position* and the *Statement of Activities*, we separate the District activities as follows:

Governmental Activities - The District reports all of its services in this category. This includes the education of kindergarten through grade twelve students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds - All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. 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 financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following the governmental fund financial statements.

FINANCIAL HIGHLIGHTS

- The District's total net position increased from \$133,500,429 to \$133,798,693.
- The District's governmental activities revenues decreased from \$121,888,915 to \$115,786,341.
- The District's governmental activities expenses increased from \$100,632,851 to \$108,108,017.
- The General Fund reported an increase in fund balance this year of \$5,076,612.
- The Special Reserve Fund for Capital Outlay Projects reported a decrease in fund balance this year of \$6,666,974.
- The remaining funds reported an overall increase in fund balance this year of \$528,047.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$133,798,693 for the fiscal year ended June 30, 2025. Of this amount, \$28,802,488 was restricted. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2025	2024*
Assets		
Current and other assets	\$ 93,445,864	\$ 97,235,286
Capital assets	172,175,733	165,369,621
Total assets	265,621,597	262,604,907
Deferred Outflows of Resources	26,640,311	26,261,487
Liabilities		
Current liabilities	9,415,918	12,143,025
Long-term liabilities	134,001,736	128,912,483
Total liabilities	143,417,654	141,055,508
Deferred Inflows of Resources	15,045,561	14,310,457
Net Position		
Net investment in capital assets	130,408,120	121,817,901
Restricted	28,802,488	36,416,925
Unrestricted (deficit)	(25,411,915)	(24,734,397)
Total net position	\$ 133,798,693	\$ 133,500,429

* Amounts have not been restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 15 for further information.

The \$133,798,693 in net position of governmental activities represents the accumulated results of all past years' operations.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities*. Table 2 takes the information from the Statement and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2025	2024*
Revenues		
Program revenues		
Charges for services and sales	\$ 1,107,806	\$ 968,954
Operating grants and contributions	23,582,237	30,801,311
Capital grants and contributions	5,939	10,879
General revenues		
Federal and State aid not restricted	74,584,598	73,632,643
Property taxes	11,024,036	11,006,761
Other general revenues	5,481,725	5,468,367
Total revenues	<u>115,786,341</u>	<u>121,888,915</u>
Expenses		
Instruction-related	66,636,085	63,287,903
Pupil services	17,945,620	14,475,159
Administration	7,192,336	7,610,371
Plant services	11,242,819	10,324,739
All other services	5,091,157	4,934,679
Total expenses	<u>108,108,017</u>	<u>100,632,851</u>
Change in net position	<u>\$ 7,678,324</u>	<u>\$ 21,256,064</u>

* The expenses for the year ended June 30, 2024, were not restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 15 for further information.

Governmental Activities

As reported in the *Statement of Activities*, the cost of all of our governmental activities this year was \$108,108,107. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$11,024,036 because the cost was paid by those who benefited from the programs of \$1,107,806 or by other governments and organizations who subsidized certain programs with grants and contributions of \$23,588,176. We paid for the remaining "public benefit" portion of our governmental activities with \$80,066,323 in Federal and State unrestricted funds, and other revenues, including interest and general entitlements.

In Table 3, we have presented the net cost of each of the District's largest functions. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2025	2024*	2025	2024*
Instruction-related	\$ 66,636,085	\$ 63,287,903	\$ (50,468,038)	\$ (42,877,028)
Pupil services	17,945,620	14,475,159	(10,460,543)	(8,480,716)
Administration	7,192,336	7,610,371	(6,581,725)	(5,941,291)
Plant services	11,242,819	10,324,739	(11,101,838)	(6,904,324)
All other services	5,091,157	4,934,679	(4,799,891)	(4,648,348)
Total	<u>\$ 108,108,017</u>	<u>\$ 100,632,851</u>	<u>\$ (83,412,035)</u>	<u>\$ (68,851,707)</u>

* The expenses for the year ended June 30, 2024, were not restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 15 for further information.

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$84,029,946, which is a decrease of \$1,062,315 from last year (Table 4).

Table 4

Governmental Fund	Balances and Activity			
	July 1, 2024	Revenues and Other Financing Sources	Expenditures and Other Financing Uses	June 30, 2025
General	\$ 46,027,983	\$ 104,518,028	\$ 99,441,416	\$ 51,104,595
Student Activities	1,783,835	360,111	287,225	1,856,721
Child Development	458,902	1,031,039	875,760	614,181
Cafeteria	5,088,232	5,306,622	5,679,906	4,714,948
Deferred Maintenance	34,104	1,013,279	1,015,258	32,125
Capital Facilities	1,407,381	526,495	2,403	1,931,473
County School Facilities	57,905	5,939	-	63,844
Special Reserve Fund for Capital Outlay Projects	27,089,038	3,312,999	9,979,973	20,422,064
Bond Interest and Redemption	3,144,881	3,205,943	3,060,829	3,289,995
Total	<u>\$ 85,092,261</u>	<u>\$ 119,280,455</u>	<u>\$ 120,342,770</u>	<u>\$ 84,029,946</u>

The fund balance in the General Fund experienced minimal change from the prior year. The fund balance in the Special Reserve Fund for Capital Outlay Projects decreased by \$6,666,974 primarily due to ongoing capital projects. The remaining funds reflected an increase of \$528,047.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.

The District budgeted a decrease in General Fund balance of \$2,593,202. Revenues and sources in were \$419,492 more than budgeted and expenditures and transfers out were \$7,520,322 less than budgeted, leaving the fund with an increase of \$5,076,612.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

At June 30, 2025, the District had \$172,175,733 in a broad range of capital assets and right-to-use assets, (net of depreciation and amortization expenses), including land, buildings, furniture, equipment, right-to use leased assets, and right-to-use subscription IT assets. This amount represents a net increase (including additions, deductions, depreciation, and amortization expense) of \$6,806,112 (Table 5).

Table 5

	Governmental Activities	
	2025	2024
Land and construction in progress	\$ 18,998,667	\$ 83,904,047
Buildings and improvements	148,197,363	77,128,783
Equipment	3,825,575	2,807,136
Right-to-use leased assets	670,613	867,299
Right-to-use subscription IT assets	483,515	662,356
Total	<u>\$ 172,175,733</u>	<u>\$ 165,369,621</u>

We present more detailed information about our capital assets and right-to-use assets in the Notes to Financial Statements.

Long-Term Liabilities

At June 30, 2025, the District had \$134,001,736 in long-term liabilities outstanding versus \$128,912,483 last year, an increase of \$5,089,253 which was primarily due to the pension liability. The liabilities consisted of:

Table 6

	Governmental Activities	
	2025	2024*
Long-Term Liabilities		
General obligation bonds	\$ 54,537,132	\$ 54,785,611
Unamortized premiums	2,144,181	2,336,214
Leases	617,658	803,184
Subscription-based IT arrangements	76,666	151,070
Supplemental retirement plan	188,200	376,400
Compensated absences	8,219,552	88,205
Net OPEB liability	10,749,655	10,167,768
Aggregate net pension liability	57,468,692	60,204,031
Total	\$ 134,001,736	\$ 128,912,483

* Amounts have not been restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 15 for further information.

SIGNIFICANT EVENTS OF FISCAL YEAR 2024-2025 ARE NOTED BELOW

We remain focused on being innovative as we revolutionize teaching practices, strengthen social and emotional supports, expand technology across our growing network, and move forward with the construction of our new elementary school. Although we have received an influx of funding, we are proceeding cautiously, as many of these allocations are one-time funds.

STUDENT ACHIEVEMENT

The District continues to prioritize English Learner (EL) students and support the social-emotional needs of all students. In addition to reviewing California Assessment of Student Performance and Progress (CAASPP) data, we are emphasizing local benchmarks to more closely monitor student progress and help teachers make informed instructional adjustments. We remain committed to meeting the rigorous demands of the California Common Core State Standards as outlined by the Board of Trustees.

Collaboration with Fresno County Superintendent of Schools (FCSS)

The District is partnering with FCSS to provide support and professional development in the following areas:

- District Arts PLC and Arts for All Day Support
- K–12 Music Instructional Coaching and Program Support
- Visual Art PLC
- K–12 Special Education Training ED
- 6th-Grade Team Participation in 6–8 NIC Yea
- 7–8 Social Science Teachers FIAB and Data Analysis
- K–6 RSP Teacher Math Support and Coaching
- Integrated ELD- Enterprise High School
- AI Series for Teachers
- Technology Training
- Leadership Coaching

Additional Professional Development

Beyond FCSS-led professional development, the District has also provided:

- Workshops for instructional paraprofessionals in Special Education, English Learners, Social-Emotional Learning, and Technology
- Cognitive Guided Instruction
- Kagan Structures
- MTSS Symposium

District Improvement Teams

In coordination with FCSS, the District has established two Improvement Teams:

- English Learner Improvement Team (FCSS staff, district administrators, and EL site leads)
- Students with Disabilities (SWD) – Least Restrictive Environment Team

These teams are developing long-term plans to improve academic achievement and graduation outcomes for EL and SWD students.

Alignment to LCFF Priorities

The District continues to collaborate with parents, staff, and the community to implement a spending plan aligned with the eight state priorities embedded in the Local Control Funding Formula (LCFF) and Common Core funds. Clear learning goals provide a shared vision for all stakeholders and support our objective of ensuring that all students achieve college and career readiness and are prepared to succeed in a global economy.

Student Assessment System

Student achievement is measured using multiple assessment tools to ensure effective accountability:

- Pre-Assessments: Determine students' prior knowledge.
- Formative Assessments: Monitor learning as new standards are introduced.
- Interim Assessments: Flexible tools that provide timely, actionable feedback.
- Summative Assessments: Evaluate overall learning outcomes for the school year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, investors, and creditors with a general overview of the District's finances and show its accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cecilia Belmontes, Director of Fiscal Services, at (559) 843-9007.

Kraig Magnussen, Assistant Superintendent/CBO
Kerman Unified School District
15218 W. Whitesbridge Avenue
Kerman, California 93630

Kerman Unified School District
Statement of Net Position
June 30, 2025

	Governmental Activities
Assets	
Deposits and investments	\$ 88,060,464
Receivables	5,213,198
Prepaid expense	38,316
Stores inventories	133,886
Capital assets not depreciated or amortized	18,998,667
Capital assets, net of accumulated depreciation and amortization	153,177,066
Total assets	265,621,597
Deferred Outflows of Resources	
Deferred outflows of resources related to OPEB	4,190,313
Deferred outflows of resources related to pensions	22,449,998
Total deferred outflows of resources	26,640,311
Liabilities	
Accounts payable	8,971,684
Unearned revenue	444,234
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	3,667,963
OPEB liability due within one year	398,171
Long-term liabilities other than OPEB and pensions due in more than one year	62,115,426
Net other postemployment benefits (OPEB) liability due in more than one year	10,351,484
Aggregate net pension liabilities	57,468,692
Total liabilities	143,417,654
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	10,374,272
Deferred inflows of resources related to pensions	4,671,289
Total deferred inflows of resources	15,045,561
Net Position	
Net investment in capital assets	130,408,120
Restricted for	
Debt service	3,289,995
Capital projects	1,995,317
Educational programs	16,984,952
Child nutrition	4,675,503
Student activities	1,856,721
Unrestricted (deficit)	(25,411,915)
Total net position	\$ 133,798,693

Kerman Unified School District

Statement of Activities

Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Instruction	\$ 57,486,612	\$ 236,035	\$ 14,941,592	\$ 5,939	\$ (42,303,046)
Instruction-related activities					
Supervision of instruction	1,286,987	-	567,592	-	(719,395)
Instructional library, media, and technology	1,609,360	-	21,623	-	(1,587,737)
School site administration	6,253,126	-	395,266	-	(5,857,860)
Pupil services					
Home-to-school transportation	3,934,196	-	81,997	-	(3,852,199)
Food services	5,704,067	388,384	4,729,007	-	(586,676)
All other pupil services	8,307,357	412,375	1,873,314	-	(6,021,668)
Administration					
Data processing	2,153,600	-	-	-	(2,153,600)
All other administration	5,038,736	17,214	593,397	-	(4,428,125)
Plant services	11,242,819	53,798	87,183	-	(11,101,838)
Ancillary services	1,392,015	-	251,952	-	(1,140,063)
Interest on long-term liabilities	2,814,804	-	-	-	(2,814,804)
Other outgo	884,338	-	39,314	-	(845,024)
Total governmental activities	<u>\$ 108,108,017</u>	<u>\$ 1,107,806</u>	<u>\$ 23,582,237</u>	<u>\$ 5,939</u>	<u>(83,412,035)</u>

Kerman Unified School District

Statement of Activities

Year Ended June 30, 2025

	Net (Expenses) Revenues and Changes in Net Position <u>Governmental Activities</u>
General Revenues and Subventions	
Property taxes, levied for general purposes	7,960,121
Property taxes, levied for debt service	3,063,915
Federal and State aid not restricted to specific purposes	74,584,598
Interest and investment earnings	4,411,036
Miscellaneous	<u>1,070,689</u>
Subtotal, general revenues and subventions	<u>91,090,359</u>
Change in Net Position	<u>7,678,324</u>
Net Position - Beginning, as previously reported	133,500,429
Adjustments (Note 15)	<u>(7,380,060)</u>
Net Position - Beginning, as restated	<u>126,120,369</u>
Net Position - Ending	<u><u>\$ 133,798,693</u></u>

Kerman Unified School District
Balance Sheet – Governmental Funds
June 30, 2025

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Deposits and investments	\$ 57,443,705	\$ 18,677,042	\$ 11,939,717	\$ 88,060,464
Receivables	4,010,893	143,313	1,058,992	5,213,198
Due from other funds	159,422	2,000,000	22,667	2,182,089
Prepaid expenditures	38,316	-	-	38,316
Stores inventories	94,441	-	39,445	133,886
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 61,746,777</u>	<u>\$ 20,820,355</u>	<u>\$ 13,060,821</u>	<u>\$ 95,627,953</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 8,181,095	\$ 398,291	\$ 392,298	\$ 8,971,684
Due to other funds	2,022,667	-	159,422	2,182,089
Unearned revenue	438,420	-	5,814	444,234
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>10,642,182</u>	<u>398,291</u>	<u>557,534</u>	<u>11,598,007</u>
Fund Balances				
Nonspendable	142,757	-	39,445	182,202
Restricted	16,370,771	-	12,431,717	28,802,488
Committed	14,294,123	-	-	14,294,123
Assigned	10,252,802	20,422,064	32,125	30,706,991
Unassigned	10,044,142	-	-	10,044,142
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>51,104,595</u>	<u>20,422,064</u>	<u>12,503,287</u>	<u>84,029,946</u>
Total liabilities and fund balances	<u>\$ 61,746,777</u>	<u>\$ 20,820,355</u>	<u>\$ 13,060,821</u>	<u>\$ 95,627,953</u>

Kerman Unified School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2025

Total Fund Balance - Governmental Funds		\$ 84,029,946
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 237,646,304	
Accumulated depreciation and amortization is	<u>(65,470,571)</u>	
Net capital assets		172,175,733
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Other postemployment benefits (OPEB)	4,190,313	
Net pension liability	<u>22,449,998</u>	
Total deferred outflows of resources		26,640,311
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Other postemployment benefits (OPEB)	(10,374,272)	
Net pension liability	<u>(4,671,289)</u>	
Total deferred inflows of resources		(15,045,561)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(57,468,692)
The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(10,749,655)
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 consist of		
General obligation bonds including unamortized premiums	(41,073,289)	
Leases	(617,658)	
Subscription-based IT arrangements	(76,666)	
Compensated absences	(8,219,552)	
Special termination benefits payable	(188,200)	
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	<u>(15,608,024)</u>	
Total long-term liabilities		<u>(65,783,389)</u>
Total net position - governmental activities		<u>\$ 133,798,693</u>

Kerman Unified School District

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2025

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local Control Funding Formula (LCFF)	\$ 79,032,401	\$ -	\$ 1,000,000	\$ 80,032,401
Federal sources	3,952,147	-	3,742,357	7,694,504
Other State sources	14,356,709	-	1,838,246	16,194,955
Other local sources	7,176,771	1,312,999	4,868,825	13,358,595
Total revenues	104,518,028	1,312,999	11,449,428	117,280,455
Expenditures				
Current				
Instruction	56,159,974	-	731,739	56,891,713
Instruction-related activities				
Supervision of instruction	1,366,864	-	49	1,366,913
Instructional library, media, and technology	1,628,339	-	-	1,628,339
School site administration	6,277,876	-	104,192	6,382,068
Pupil services				
Home-to-school transportation	3,344,246	-	-	3,344,246
Food services	305,642	-	4,952,953	5,258,595
All other pupil services	8,645,115	-	-	8,645,115
Administration				
Data processing	1,913,633	-	-	1,913,633
All other administration	4,732,541	-	153,673	4,886,214
Plant services	9,699,859	-	1,096,860	10,796,719
Ancillary services	1,104,790	-	287,225	1,392,015
Other outgo	884,338	-	-	884,338
Facility acquisition and construction	1,115,815	9,979,973	533,861	11,629,649
Debt service				
Principal	259,930	-	1,807,604	2,067,534
Interest and other	2,454	-	1,253,225	1,255,679
Total expenditures	97,441,416	9,979,973	10,921,381	118,342,770
Excess (Deficiency) of Revenues Over Expenditures	7,076,612	(8,666,974)	528,047	(1,062,315)
Other Financing Sources (Uses)				
Transfers in	-	2,000,000	-	2,000,000
Transfers out	(2,000,000)	-	-	(2,000,000)
Net Financing Sources (Uses)	(2,000,000)	2,000,000	-	-
Net Change in Fund Balances	5,076,612	(6,666,974)	528,047	(1,062,315)
Fund Balance - Beginning	46,027,983	27,089,038	11,975,240	85,092,261
Fund Balance - Ending	\$ 51,104,595	\$ 20,422,064	\$ 12,503,287	\$ 84,029,946

See Notes to Financial Statements

Kerman Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2025

Total Net Change in Fund Balances - Governmental Funds	\$ (1,062,315)
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Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation and amortization expense in the Statement of Activities.

This is the amount by which capital outlay exceed depreciation and amortization expense in the period.

Depreciation and amortization expense	\$ (6,264,276)
Capital outlay	<u>13,070,388</u>

Net expense adjustment	6,806,112
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The District issued capital appreciation general obligation bonds. The accretion of interest on the general obligation bonds during the current fiscal year was

(1,559,125)

In the Statement of Activities, certain operating expenses, such as compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between compensated absences earned and used.

(751,287)

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows/inflows of resources and net pension liability during the year.

2,104,168

In the governmental funds, OPEB costs are based on benefit payments made for OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows/inflows of resources, and net OPEB liability during the year.

(306,996)

Kerman Unified School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2025

Governmental funds report the effect of premiums, discounts, and the deferred charge on refunding when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Premium amortization	192,033
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Payments of principal on long-term liabilities is an expenditure in the governmental funds, but reduce long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

General obligation bonds	1,807,604
Supplemental employee retirement plan	188,200
Leases	185,526
Subscription-based IT arrangements	74,404

Change in net position of governmental activities	<u>\$ 7,678,324</u>
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Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The Kerman Unified School District (the District) was established on July 1, 1983, under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades K - 12 as mandated by the State and/or Federal agencies. The District operates five elementary schools, one middle school, one high school, one continuation/opportunity school, and one online school.

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

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are comprised of governmental funds.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

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

One fund currently defined as a special revenue fund in the *California State Accounting Manual* (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 20, Special Reserve Fund for Postemployment Benefits, is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements. As a result, the General Fund reflects an increase in fund balance of \$10,252,802.

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Non-Major Governmental Funds

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

- **Student Activities Fund** The Student Activities 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.

For financial reporting purposes, the District has consolidated the Student Activities Fund (SACS Fund 08) and the Foundation Private-Purpose Trust Fund (SACS Fund 73) while keeping the funds and related activities separate for internal reporting purposes. The Student Activities Fund will reflect an increase in ending fund balance of \$1,679,887 from this consolidation.

- **Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.
- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).
- **Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

Capital Project Funds The Capital Project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and fiduciary funds).

- **Building Fund** The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.
- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

- **County School Facilities Fund** The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070.10 et seq.).

Debt Service Funds The Debt Service funds are used to account for the accumulation of resources for, and the payment of, principal and interest on general long-term liabilities.

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

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function, and exclude fiduciary activity. 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, except for depreciation and amortization of capital assets. Program revenues include charges paid by the recipients of the goods or services offered by the programs and 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. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Net position restricted for other activities results from special revenue funds and the restrictions on their use.

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 fund is presented in a separate column. Non-major governmental funds are aggregated and presented in a single column.

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with

brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified 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 on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

Unearned Revenue Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the financial statements and the revenue is recognized.

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

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

The District's investment in the county treasury is measured at fair value on a recurring basis, which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. Positions in this investment pool are not required to be categorized within the fair value hierarchy.

Stores Inventories

Store inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental funds.

Capital Assets, Depreciation, and Amortization

Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide Statement of Net Position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years. Land is not depreciated.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2025.

Right-to-use leased assets are recognized at the lease commencement date and represent the District's right-to-use an underlying asset for the lease term. Right-to-use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the leased asset into service. Right-to-use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method.

Right-to-use subscription IT assets are recognized at the subscription commencement date and represent the District's right-to-use the underlying IT asset for the subscription term. Right-to-use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right-to-use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method.

Lease Receivable

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

Interfund Balances

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

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned for leave balances that are more likely than not to be used for compensated leave or settled through cash or noncash means. The entire compensated absence liability is reported on the government-wide Statement of Net Position. For governmental funds, a liability for compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, only the portion of accumulated sick leave that is more likely than not to be used by the employee for paid leave is recognized as a liability in the District's financial statements. Credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive 0.004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time. The portion of sick leave that is more likely than not to be settled through conversion to service credit for employee retirement plans is not included in the District's liability for compensated absences.

Accrued Liabilities and Long-Term Liabilities

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

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

Premiums

Debt premiums are reported as liabilities in the applicable governmental activities fund Statement of Net Position. Debt premiums are amortized over the life of the debt using the straight-line method, which approximates the effective interest method.

In governmental fund financial statements, debt premiums are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The District reports deferred outflows of resources for pension related items and for OPEB related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources related for pension related items and for OPEB related items.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The net pension liability attributable to the governmental activities primarily by the General Fund.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money

market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The net OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Lease Liabilities

Lease liabilities represent the District's obligation to make lease payments arising from the lease. The District recognizes a lease liability in the government-wide financial statements. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments is discounted based on a borrowing rate determined by the District.

Subscription Liabilities

Subscription liabilities represent the District's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of the subscription payments is discounted based on a borrowing rate determined by the District.

Fund Balances - Governmental Funds

As of June 30, 2025, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted one-time expenditures. The policy requires a reserve for economic uncertainties consisting of unassigned amounts equal to no less than ten percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position related to net of investment in capital assets consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$28,802,488 of restricted net position.

Interfund Activity

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

Estimates

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

Property Tax

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

Adoption of New Accounting Standard**Implementation of GASB Statement No. 101**

As of June 30, 2025, the District adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. The effect of the implementation of this standard on beginning net position is disclosed in Note 15.

Note 2 - Deposits and Investments**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2025, are classified in the accompanying financial statements as follows:

Governmental activities	<u>\$ 88,060,464</u>
-------------------------	----------------------

Deposits and investments as of June 30, 2025, consist of the following:

Cash on hand and in banks	\$ 90,175
Cash in revolving	10,000
Investments	<u>87,960,289</u>
Total deposits and investments	<u>\$ 88,060,464</u>

Policies and Practices

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

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their county treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the county treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the county treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool which purchases a combination of shorter term and longer term investments and which also times cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District maintains an investment of \$87,960,289 in the Fresno County Treasury Investment Pool that has an average weighted maturity of 703 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. The is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment with the Fresno County Investment Pool is currently not rated, nor is it required to be rated.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2025, none of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Note 3 - Receivables

Receivables at June 30, 2025, consisted of intergovernmental grants, entitlements, and other local sources. All receivables are considered collectible in full.

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Federal Government				
Categorical aid	\$ 1,442,387	\$ -	\$ 746,195	\$ 2,188,582
State Government				
Other state grants	1,514,239	-	231,684	1,745,923
and entitlements	1,054,267	143,313	81,113	1,278,693
Local Sources				
Total	<u>\$ 4,010,893</u>	<u>\$ 143,313</u>	<u>\$ 1,058,992</u>	<u>\$ 5,213,198</u>

Note 4 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2025, was as follows:

	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025
Governmental Activities				
Capital assets not being depreciated or amortized				
Land	\$ 7,823,906	\$ -	\$ -	\$ 7,823,906
Construction in progress	76,080,141	11,438,434	(76,343,814)	11,174,761
Total capital assets not being depreciated or amortized	83,904,047	11,438,434	(76,343,814)	18,998,667
Capital assets being depreciated and amortized				
Land improvements	12,591,632	-	-	12,591,632
Buildings and improvements	117,216,266	76,343,814	-	193,560,080
Furniture and equipment	8,950,904	1,631,954	-	10,582,858
Right-to-use leased buildings and improvements	115,047	-	-	115,047
Right-to-use leased furniture and equipment	960,392	-	-	960,392
Right-to-use subscription IT assets	837,628	-	-	837,628
Total capital assets being depreciated and amortized	140,671,869	77,975,768	-	218,647,637
Total capital assets	224,575,916	89,414,202	(76,343,814)	237,646,304
Accumulated depreciation and amortization				
Land improvements	(7,720,793)	(423,603)	-	(8,144,396)
Buildings and improvements	(44,958,322)	(4,851,631)	-	(49,809,953)
Furniture and equipment	(6,143,768)	(613,515)	-	(6,757,283)
Right-to-use leased buildings and improvements	(41,418)	(4,602)	-	(46,020)
Right-to-use leased furniture and equipment	(166,722)	(192,084)	-	(358,806)
Right-to-use subscription IT assets	(175,272)	(178,841)	-	(354,113)
Total accumulated depreciation and amortization	(59,206,295)	(6,264,276)	-	(65,470,571)
Net depreciable and amortizable capital assets	81,465,574	71,711,492	-	153,177,066
Governmental activities capital assets, net	\$ 165,369,621	\$ 83,149,926	\$ (76,343,814)	\$ 172,175,733

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

Governmental Activities	
Instruction	\$ 2,890,078
School site administration	117,775
Home-to-school transportation	1,531,075
Food services	471,100
Data processing	249,847
All other administration	234,262
Plant services	770,139
	<u> </u>
Total depreciation and amortization expense - governmental activities	<u><u>\$ 6,264,276</u></u>

Note 5 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2025, between major and non-major governmental funds are as follows:

<u>Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Major Governmental Funds		
General	\$ 159,422	\$ 2,022,667
Special Reserve Fund for Capital Outlay Projects	2,000,000	-
Non-Major Governmental Funds		
Child Development	-	39,787
Cafeteria	22,667	119,635
	<u> </u>	<u> </u>
Total	<u><u>\$ 2,182,089</u></u>	<u><u>\$ 2,182,089</u></u>

Operating Transfers

Interfund transfers for the year ended June 30, 2025, consisted of the General Fund transferring \$2,000,000 to the Special Reserve Fund for Capital Outlay Projects for future capital projects.

Note 6 - Accounts Payable

Accounts payable at June 30, 2025, consisted of the following:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Vendor payables	\$ 2,193,174	\$ 398,291	\$ 390,674	\$ 2,982,139
LCFF apportionment	2,423,226	-	-	2,423,226
Salaries and benefits	3,210,592	-	1,624	3,212,216
Other State	354,103	-	-	354,103
Total	<u>\$ 8,181,095</u>	<u>\$ 398,291</u>	<u>\$ 392,298</u>	<u>\$ 8,971,684</u>

Note 7 - Unearned Revenue

Unearned revenue at June 30, 2025, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 23,835	\$ 5,814	\$ 29,649
State categorical aid	414,585	-	414,585
Total	<u>\$ 438,420</u>	<u>\$ 5,814</u>	<u>\$ 444,234</u>

Note 8 - Long-Term Liabilities Other than OPEB and Pensions**Summary**

The changes in the District's long-term liabilities other than OPEB and pensions during the year consisted of the following:

	Balance July 1, 2024 as Restated	Additions	Deductions	Balance June 30, 2025	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 54,785,611	\$ 1,559,125	\$ (1,807,604)	\$ 54,537,132	\$ 1,448,270
Unamortized debt					
premiums	2,336,214	-	(192,033)	2,144,181	-
Leases	803,184	-	(185,526)	617,658	191,170
Subscription-based IT					
arrangements (SBITAs)	151,070	-	(74,404)	76,666	76,858
Supplemental retirement					
plan	376,400	-	(188,200)	188,200	188,200
Compensated absences	7,468,265	751,287	-	8,219,552	1,763,465
Total	\$ 65,920,744	\$ 2,310,412	\$ (2,447,767)	\$ 65,783,389	\$ 3,667,963

The change in compensated absences is presented as a net change.

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. The premium is being amortized annually over the life of the associated debt. The leases and SBITAs are paid by the fund using the right-to-use asset. The supplemental early retirement is paid by the General Fund.

General Obligation Bonds

The District's outstanding general obligation 2015 refunding bonds of \$1,985,000 contain a provision that in an event of default, any Refunding Bond Owner has the right, for the equal benefit and protection of all Refunding Bond Owners similarly situated (provided that the Owners of a majority in aggregate principal amount of the Refunding Bonds then Outstanding shall have the right to direct the method of conducting all remedial proceedings taken hereunder):

- (a) by mandamus, suit, action or proceeding, to compel the District and its members, officers, agents or employees to perform each and every term, provision and covenant contained in the Paying Agent Agreement and the Refunding Bonds, and to require the carrying out of any or all such covenants and agreements of the District and the fulfillment of all duties imposed upon it, including without limitation to compel the District to direct the County to levy ad valorem taxes as described in Sections 6.02 of the agreement;
- (b) by suit, action or proceeding in equity, to enjoin any acts or things which are unlawful, or the violation of any of the Refunding Bond Owners' rights;
- (c) upon the happening and continuation of any default by the District hereunder or under the Refunding Bonds, by suit, action or proceeding in any court of competent jurisdiction, to require the District and its

- members and employees to account as if it and they were the trustees of an express trust; or
- (d) upon the happening and continuation of any default by the District hereunder or under the Refunding Bonds, proceed to enforce all other remedies available under this Paying Agent Agreement and the Refunding Bonds and under applicable law and in equity.

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate %	Original Issue	Bonds Outstanding July 1, 2024	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2025
2004	2030	5.38-5.53	\$ 212,954	\$ 212,954	\$ -	\$ -	\$ 212,954
	Accreted interest			1,611,630	211,042	-	1,822,672
2006	2031	4.41-4.92	1,063,376	841,210	-	(117,504)	723,706
	Accreted interest			1,515,405	130,281	(165,100)	1,480,586
2007	2032	4.36-4.43	1,711,016	1,711,016	-	-	1,711,016
	Accreted interest			2,284,875	199,831	-	2,484,706
2009	2045	3.78-7.42	6,254,805	4,481,072	-	(204,640)	4,276,432
	Accreted interest			9,112,449	1,017,971	(310,360)	9,820,060
2015	2026	3.06	4,140,000	1,065,000	-	(515,000)	550,000
2017	2047	2.75-5.00	12,000,000	10,720,000	-	(80,000)	10,640,000
2018	2049	3.42-5.00	5,015,000	4,575,000	-	-	4,575,000
2019	2033	3.00-4.00	8,900,000	6,965,000	-	(360,000)	6,605,000
2022	2050	0.55-4.00	9,985,000	9,690,000	-	(55,000)	9,635,000
Total				<u>\$ 54,785,611</u>	<u>\$ 1,559,125</u>	<u>\$ (1,807,604)</u>	<u>\$ 54,537,132</u>

Debt Service Requirements to Maturity

The capital appreciation bonds mature as follows:

Bonds Maturing Fiscal Year	Initial Bond Value	Accreted Interest	Accreted Obligation	Unaccreted Interest	Maturity Value
2026	\$ 318,270	\$ 528,352	\$ 846,622	\$ -	\$ 846,622
2027	387,378	1,026,445	1,413,823	112,512	1,526,335
2028	382,074	993,416	1,375,490	226,289	1,601,779
2029	377,256	963,619	1,340,875	342,111	1,682,986
2030	372,753	933,409	1,306,162	458,838	1,765,000
2031-2035	2,388,667	4,453,219	6,841,886	3,748,114	10,590,000
2036-2040	1,531,446	3,646,421	5,177,867	7,897,133	13,075,000
2041-2045	1,166,264	3,063,143	4,229,407	12,455,593	16,685,000
Total	<u>\$ 6,924,108</u>	<u>\$ 15,608,024</u>	<u>\$ 22,532,132</u>	<u>\$ 25,240,590</u>	<u>\$ 47,772,722</u>

The current interest bonds mature as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2026	\$ 1,130,000	\$ 1,207,989	\$ 2,337,989
2027	895,000	1,168,969	2,063,969
2028	1,000,000	1,129,799	2,129,799
2029	1,110,000	1,088,169	2,198,169
2030	1,220,000	1,044,028	2,264,028
2031-2035	6,020,000	4,454,611	10,474,611
2036-2040	4,465,000	3,632,797	8,097,797
2041-2045	6,780,000	2,585,357	9,365,357
2046-2050	9,385,000	836,607	10,221,607
Total	<u>\$ 32,005,000</u>	<u>\$ 17,148,326</u>	<u>\$ 49,153,326</u>

Leases

The District has entered into agreements to lease various facilities and equipment. The District's liability on lease agreements is summarized below:

<u>Lease</u>	<u>Leases Outstanding July 1, 2024</u>	<u>Payments</u>	<u>Leases Outstanding June 30, 2025</u>
Copier leases	\$ 542,080	\$ (130,507)	\$ 411,573
Printer lease	261,104	(55,019)	206,085
Total	<u>\$ 803,184</u>	<u>\$ (185,526)</u>	<u>\$ 617,658</u>

Copier Leases

The District entered various agreements to lease copiers. Under the terms of the leases, the District paid a total principal and interest costs of \$144,984 for the year ended June 30, 2025. The annual interest rate charged on the leases is 3%. At June 30, 2025, the District has recognized a right-to-use leased asset of \$672,391 and a lease liability of \$411,573 related to this agreement. During the fiscal year, the District recorded \$134,484 in amortization expense and \$14,477 in interest expense for the right-to-use the copiers. The District also pays for each additional copy in excess of the contracted amount, which is not included in the measurement of the lease liability as they are variable in nature.

Printer Lease

The District entered an agreement to lease printers. Under the terms of the leases, the District paid a total principal and interest costs of \$62,100 for the year ended June 30, 2025. The annual interest rate charged on the leases is 3%. At June 30, 2025, the District has recognized a right-to-use leased asset of \$288,001 and a lease liability of \$55,019 related to this agreement. During the fiscal year, the District recorded \$57,600 in amortization expense and \$7,081 in interest expense for the right-to-use the printers.

Portables Lease

The District entered an agreement to lease three portables with an option to purchase the portables at the end of the lease term. Under the terms of the lease, the District paid a total principal and interest costs of \$125,496. The annual interest rate charged on the lease is 3%. At June 30, 2025, the District has recognized a right-to-use leased asset of \$115,047 and no lease liability related to this agreement. During the fiscal year, the District recorded \$4,602 in amortization expense and no interest expense for the right-to-use the portables.

The remaining principal and interest payment requirements for the lease obligation debt as of June 30, 2025, are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 191,170	\$ 15,914	\$ 207,084
2027	196,985	10,099	207,084
2028	164,634	4,350	168,984
2029	64,869	573	65,442
Total	<u>\$ 617,658</u>	<u>\$ 30,936</u>	<u>\$ 648,594</u>

Subscriptions-Based Information Technology Arrangements (SBITAs)

The District entered into SBITAs for the general operations of the District. At June 30, 2025, the District recognized right-to-use subscriptions IT assets of \$837,628 and a SBITA liability of \$76,666 related to these arrangements. During the fiscal year, the District recorded \$178,840 in amortization expense and \$2,455 in interest expense. The subscriptions had an interest rate of 3.00%.

Year Ending June 30,	Principal	Interest	Total
2026	<u>\$ 76,666</u>	<u>\$ 192</u>	<u>\$ 76,858</u>

Supplemental Employee Retirement Plan (SERP)

On October 15, 2020, the Board of Trustees adopted resolution FY 20-05 to establish a supplemental employee retirement plan for certain eligible employees of the District effective July 1, 2021. Eligibility requirements for employees to participate in the plan shall be as follows:

- Employee must be a Certificated, Classified or Management/unrepresented employee of the District
- Employee must be at least 55 years of age by June 30, 2021
- Employee must have at least five years of service with the District by June 30, 2021
- Employee must retire/resign from the District by June 30, 2021
- Employee must submit a Letter of Resignation and SERP Enrollment Package by December 18, 2020

The remaining payment requirements for the plan as of June 30, 2025 are as follows:

<u>Year Ending June 30,</u>	<u>Payment</u>
2026	<u>\$ 188,200</u>

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2025, amounted to \$8,219,552.

Note 9 - Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2025, the District reported OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

<u>OPEB Plan</u>	<u>Net OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>OPEB Expense</u>
District Plan	\$ 10,557,766	\$ 4,190,313	\$ 10,374,272	\$ 601,560
Medicare Premium Payment (MPP) Program	<u>191,889</u>	<u>-</u>	<u>-</u>	<u>(22,474)</u>
Total	<u>\$ 10,749,655</u>	<u>\$ 4,190,313</u>	<u>\$ 10,374,272</u>	<u>\$ 579,086</u>

The details of each plan are as follows:

District Plan

Plan Administration

The District’s governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Plan Membership

At June 30, 2023, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	16
Active employees	439
Total	455

Benefits Provided

The Plan provides medical, dental, and vision insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District’s governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Kerman Unified Teachers Association (KUTA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, KUTA, CSEA, and the unrepresented groups. For the measurement period of June 30, 2024, the District paid \$272,090, including \$64,939 due to implied rate subsidy, in benefits.

Total OPEB Liability of the District

The District’s total OPEB liability of \$10,557,766 was measured as of June 30, 2024, by applying certain roll-forward procedures to an actuarial valuation prepared as of June 30, 2023.

Actuarial Assumptions

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	2.75%
Discount rate	3.93%
Healthcare cost trend rates	4.00%

The discount rate was based on the Bond Buyer 20-bond Index.

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2021 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actual experience study for the period July 1, 2022 to June 30, 2023.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2023	\$ 9,953,405
Service cost	755,428
Interest	372,366
Differences between expected and actual experience	13,449
Changes of assumptions or other inputs	(264,792)
Benefit payments	(272,090)
Net change in total OPEB liability	604,361
Balance, June 30, 2024	\$ 10,557,766

Changes in Benefit terms - There were no changes in benefit terms since the previous measurement.

Changes of assumptions - The discount rate changed from 3.65% to 3.93% since the previous measurement.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents 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 discount rate that is one percent lower or higher than the current rate:

Discount Rate	Total OPEB Liability
1% decrease (2.93%)	\$ 11,477,165
Current discount rate (3.93%)	10,557,766
1% increase (4.93%)	9,739,095

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents 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 percent lower or higher than the current healthcare costs trend rate:

Healthcare Cost Trend Rate	Total OPEB Liability
1% decrease (3%)	\$ 9,215,623
Current healthcare cost trend rate (4%)	10,557,766
1% increase (5%)	12,151,425

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2025, the District recognized OPEB expense of \$601,560. 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
OPEB contributions subsequent to measurement date	\$ 268,331 *	\$ -
Differences between expected and actual experience	254,410	3,731,275
Changes of assumptions	3,667,572	6,642,997
Total	<u>\$ 4,190,313</u>	<u>\$ 10,374,272</u>

* Includes implicit subsidy payments of \$66,327.

The deferred outflows of resources for OPEB contributions subsequent to measurement date will be recognized as reduction of the total OPEB liability in the subsequent fiscal year. The deferred outflows of resources and deferred inflows of resources related to changes of assumptions and differences between expected and actual experience in the measurement of the total OPEB liability will be amortized over the Expected Average Remaining Service Life (EARS�) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period and will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2026	\$ 324,833
2027	324,833
2028	324,833
2029	324,833
2030	324,833
Thereafter	2,297,817
Total	<u>\$ 3,921,982</u>
Year Ended June 30,	Deferred Inflows of Resources
2026	\$ 854,826
2027	854,826
2028	854,826
2029	854,826
2030	854,826
Thereafter	6,100,142
Total	<u>\$ 10,374,272</u>

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2023, annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/forms-publications>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2025, the District reported a liability of \$191,889 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2024 and June 30, 2023, respectively, was 0.0720% and 0.0706%, resulting in a net increase in the proportionate share of 0.0014%.

For the year ended June 30, 2025, the District recognized OPEB expense of \$(22,474).

Actuarial Methods and Assumptions

The June 30, 2024 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total OPEB liability to June 30, 2024, using the assumptions listed in the following table:

Measurement Date	June 30, 2024	June 30, 2023
Valuation Date	June 30, 2023	June 30, 2022
Experience Study	July 1, 2007 through June 30, 2022	July 1, 2015 through June 30, 2018
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.93%	3.65%
Medicare Part A Premium Cost Trend Rate	5.00%	4.50%
Medicare Part B Premium Cost Trend Rate	6.50%	5.40%

For the valuation as of June 30, 2023, CalSTRS uses a generational mortality assumption, which is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and a projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023, and projected improvement is based on the MP-2021 Ultimate Projection Scale.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 154 or an average of 0.12% of the potentially eligible population (132,333).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2024, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

As the MPP Program is funded on a pay-as-you-go basis, the OPEB plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, the MPP Program used the Bond Buyer's 20-Bond GO Index from Bondbuyer.com as of June 30, 2024, as the discount rate, which was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate as of June 30, 2024, was 3.93%, which is an increase of 0.28% from 3.65% as of June 30, 2023.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net OPEB Liability
1% decrease (2.93%)	\$ 207,043
Current discount rate (3.93%)	191,889
1% increase (4.93%)	178,563

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the current Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rates	Net OPEB Liability
1% decrease (4.00% Part A and 5.50% Part B)	\$ 177,764
Current Medicare costs trend rates (5.00% Part A and 6.50% Part B)	191,889
1% increase (6.00% Part A and 7.50% Part B)	207,658

Note 10 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 10,000	\$ -	\$ -	\$ 10,000
Stores inventories	94,441	-	39,445	133,886
Prepaid expenditures	38,316	-	-	38,316
Total nonspendable	142,757	-	39,445	182,202
Restricted				
Legally restricted programs	16,370,771	-	614,181	16,984,952
Student activities	-	-	1,856,721	1,856,721
Food service	-	-	4,675,503	4,675,503
Capital projects	-	-	1,995,317	1,995,317
Debt services	-	-	3,289,995	3,289,995
Total restricted	16,370,771	-	12,431,717	28,802,488
Committed				
Technology/Facility projects	14,294,123	-	-	14,294,123
Assigned				
Postemployment benefits	10,252,802	-	-	10,252,802
Capital projects	-	20,422,064	-	20,422,064
Deferred maintenance	-	-	32,125	32,125
Total assigned	10,252,802	20,422,064	32,125	30,706,991
Unassigned				
Remaining unassigned	10,044,142	-	-	10,044,142
Total	\$ 51,104,595	\$ 20,422,064	\$ 12,503,287	\$ 84,029,946

Note 11 - Risk Management**Property and Liability**

The District is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2025, the District contracted with Organization of Self Insured Schools (OSS) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2025, the District participated in the Fresno County Self Insurance Group (FCSIG), an insurance purchasing pool. The intent of the Fresno County Self Insurance Group is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Fresno County Self Insurance Group. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Fresno County Self Insurance Group. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Fresno County Self Insurance Group. Participation in the Fresno County Self Insurance Group is limited to districts that can meet the Fresno County Self Insurance Group's selection criteria.

Employee Medical Benefits

The District has contracted with California Valued Trust (CVT) and Self-Insured Schools of California (SISC III) to provide employee medical benefits. The District switch from CVT to SISC III during the fiscal year. Both are a shared risk pool comprised of other member Districts. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

Note 12 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2025, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 33,144,130	\$ 13,996,143	\$ 4,480,713	\$ 3,977,787
CalPERS	24,324,562	8,453,855	190,576	4,555,299
Total	<u>\$ 57,468,692</u>	<u>\$ 22,449,998</u>	<u>\$ 4,671,289</u>	<u>\$ 8,533,086</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2023, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/forms-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0% of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

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

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	10.25%	10.205%
Required employee contribution rate	19.10%	19.10%
Required employer contribution rate	10.828%	10.828%
Required state contribution rate		

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2025, are presented above and the District's total contributions were \$6,706,129.

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

At June 30, 2025, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share	
Proportionate share of net pension liability	\$ 33,144,130
State's proportionate share of the net pension liability	15,206,641
Total	<u>\$ 48,350,771</u>

The net pension liability was measured as of June 30, 2024. 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 member districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2024 and June 30, 2023, respectively was 0.0493% and 0.0478%, resulting in a net increase in the proportionate share of 0.0015%.

For the year ended June 30, 2025, the District recognized pension expense of \$3,977,787. In addition, the District recognized pension expense and revenue of \$1,384,387 for support provided by the State. 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
Pension contributions subsequent to measurement date	\$ 6,706,129	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	3,395,902	633,975
Differences between projected and actual earnings on pension plan investments	-	133,736
Differences between expected and actual experience in the measurement of the total pension liability	3,749,027	1,449,373
Changes of assumptions	145,085	2,263,629
Total	<u>\$ 13,996,143</u>	<u>\$ 4,480,713</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ (2,221,888)
2027	2,675,979
2028	(218,328)
2029	(369,499)
Total	<u>\$ (133,736)</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ 564,595
2027	554,133
2028	261,740
2029	705,899
2030	827,484
Thereafter	29,186
Total	<u>\$ 2,943,037</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total pension liability to June 30, 2024. The financial reporting actuarial valuation as of June 30, 2023, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Experience study	July 1, 2007 through June 30, 2022
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and a projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023, and projected improvement is based on the MP-2021 Ultimate Projection Scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2024 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. The assumed asset allocation and best estimates of the expected rates of return for each major asset class for the year ended June 30, 2024, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	38%	5.25%
Real estate	15%	4.05%
Private equity	14%	6.75%
Fixed income	14%	2.45%
Risk mitigating strategies	10%	2.25%
Inflation sensitive	7%	3.65%
Cash/liquidity	2%	0.05%

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return of 7.10% and assume that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 58,952,561
Current discount rate (7.10%)	33,144,130
1% increase (8.10%)	11,593,018

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2023, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:

<https://www.calpers.ca.gov/page/forms-publications>.

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 service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

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

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	8.00%
Required employer contribution rate	27.050%	27.050%

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 July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. 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. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2025, are presented above and the total District contributions were \$3,931,122.

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

As of June 30, 2025, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$24,324,562. The net pension liability was measured as of June 30, 2024. 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 school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2024 and June 30, 2023, respectively was 0.0681% and 0.0658%, resulting in a net increase in the proportionate share of 0.0023%.

For the year ended June 30, 2025, the District recognized pension expense of \$4,555,299. 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
Pension contributions subsequent to measurement date	\$ 3,931,122	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,000,950	16,486
Differences between projected and actual earnings on pension plan investments	944,869	-
Differences between expected and actual experience in the measurement of the total pension liability	2,039,259	174,090
Changes of assumptions	537,655	-
Total	<u>\$ 8,453,855</u>	<u>\$ 190,576</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ (8,144)
2027	1,469,056
2028	(217,072)
2029	(298,971)
Total	<u>\$ 944,869</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARS�) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARS� for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ 1,677,704
2027	1,100,604
2028	608,980
Total	<u>\$ 3,387,288</u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2023, and rolling forward the total pension liability to June 30, 2024. The financial reporting actuarial valuation as of June 30, 2023, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	6.90%
Investment rate of return	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity - cap-weighted	30%	4.54%
Global equity non-cap-weighted	12%	3.84%
Private equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High yield	5%	2.27%
Emerging market debt	5%	2.48%
Private debt	5%	3.57%
Real assets	15%	3.21%
Leverage	(5%)	(0.59%)

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, SEP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on SEP investments was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (5.90%)	\$ 36,134,340
Current discount rate (6.90%)	24,324,562
1% increase (7.90%)	14,568,745

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$3,070,533 (10.828% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Note 13 - Commitments and Contingencies**Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2025.

Litigation

The District is not currently a party to any legal proceedings.

Construction Commitments

As of June 30, 2025, the District had the following commitments with respect to the unfinished capital projects:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
New Elementary School Off-Site Improvements	\$ 6,500,000	October 2025
Kerman High School AG facility greenhouse	1,501,575	October 2025
Sun Empire Elementary School parking lot	2,750,000	November 2026
Kerman-Floyd Elementary School modular restroom and play structure	2,000,000	October 2026
Kerman-Floyd Elementary School parking lot	2,250,000	October 2026
Total	<u>\$ 15,001,575</u>	

Note 14 - Participation in Joint Powers Authorities

The District is a member of the Self-Insured Schools of California (SISC III). The District is also a member of the Fresno County Self Insurance Group (FCSIG), and the Organization of Self Insured Schools (OSS) joint powers authorities (JPAs). The District pays an annual premium to the applicable entity for its health and welfare, workers' compensation, and property and liability coverage. Payments are made directly to the JPAs. The relationships between the District and the JPAs are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

The District has no appointed board members to the governing board of Self-Insured Schools of California.

During the year ended June 30, 2025, the District made payment of \$8,800,522 to SISC III for health and welfare benefits.

The District has appointed one member to the governing board of Fresno County Self Insurance Group.

During the year ended June 30, 2025, the District made payment of \$871,308 to the Fresno County Self Insurance Group for worker's compensation insurance.

The District has appointed one member to the governing board of Organization of Self Insured Schools.

During the year ended June 30, 2025, the District made payment of \$655,971 to the Organization of Self Insured Schools for property and liability insurance.

Note 15 - Restatement

Change in Accounting Principle

As of June 30, 2025, the District adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. Therefore, compensated absences increased by \$7,380,060, as of July 1, 2024. The effect of this change in accounting principle is described in the table below.

	<u>Governmental Activities</u>
Beginning, as previously reported on July 1, 2024	\$ 133,500,429
Change in accounting principle	<u>(7,380,060)</u>
Beginning, as Restated on July 1, 2024	<u><u>\$ 126,120,369</u></u>

Required Supplementary Information
June 30, 2025

Kerman Unified School District

Kerman Unified School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Local Control Funding Formula	\$ 78,624,418	\$ 79,011,263	\$ 79,032,401	\$ 21,138
Federal sources	4,418,368	5,038,538	3,952,147	(1,086,391)
Other State sources	13,364,076	14,333,961	14,356,709	22,748
Other local sources	5,516,900	5,714,774	7,176,771	1,461,997
Total revenues ¹	101,923,762	104,098,536	104,518,028	419,492
Expenditures				
Current				
Certificated salaries	38,339,334	36,513,965	36,048,949	465,016
Classified salaries	14,648,813	14,479,314	14,366,873	112,441
Employee benefits	24,146,288	24,307,001	23,079,132	1,227,869
Books and supplies	11,834,430	10,060,930	6,108,254	3,952,676
Services and operating expenditures	12,526,908	16,069,941	14,012,574	2,057,367
Other outgo	594,833	3,574,211	468,281	3,105,930
Capital outlay	9,233,006	686,376	3,094,969	(2,408,593)
Debt service				
Debt service - principal	-	-	259,930	(259,930)
Debt service - interest and other	-	-	2,454	(2,454)
Total expenditures ¹	111,323,612	105,691,738	97,441,416	8,250,322
Excess (Deficiency) of Revenues Over Expenditures	(9,399,850)	(1,593,202)	7,076,612	8,669,814
Other Financing Uses				
Transfers out	-	(1,000,000)	(2,000,000)	(1,000,000)
Net Change in Fund Balances	(9,399,850)	(2,593,202)	5,076,612	7,669,814
Fund Balance - Beginning	46,027,983	46,027,983	46,027,983	-
Fund Balance - Ending	\$ 36,628,133	\$ 43,434,781	\$ 51,104,595	\$ 7,669,814

¹ Due to the consolidation of Fund 20, Special Reserve Fund for Postemployment Benefits for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets.

Kerman Unified School District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2025

	2025	2024	2023	2022
Total OPEB Liability				
Service cost	\$ 755,428	\$ 691,548	\$ 861,005	\$ 2,230,922
Interest	372,366	440,673	285,670	424,459
Difference between expected and actual experience	13,449	(3,098,766)	297,742	(1,263,299)
Changes of assumptions	(264,792)	(69,570)	(1,624,461)	(6,507,566)
Benefit payments	(272,090)	(226,194)	(500,707)	(390,297)
Net change in total OPEB liability	604,361	(2,262,309)	(680,751)	(5,505,781)
Total OPEB Liability - Beginning	9,953,405	12,215,714	12,896,465	18,402,246
Total OPEB Liability - Ending	<u>\$ 10,557,766</u>	<u>\$ 9,953,405</u>	<u>\$ 12,215,714</u>	<u>\$ 12,896,465</u>
Covered Payroll	<u>N/A ¹</u>	<u>N/A ¹</u>	<u>N/A ¹</u>	<u>N/A ¹</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A ¹</u>	<u>N/A ¹</u>	<u>N/A ¹</u>	<u>N/A ¹</u>
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021

¹ The OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay; therefore, no measure of payroll is presented.

Note: In the future, as data becomes available, ten years of information will be presented.

Kerman Unified School District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2025

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 1,737,989	\$ 1,038,027	\$ 1,063,464	\$ 1,035,001
Interest	543,273	393,427	361,989	297,917
Difference between expected and actual experience	(97,988)	(82,117)	-	-
Changes of assumptions	1,697,849	3,705,419	(234,415)	-
Benefit payments	(361,952)	(179,987)	(354,062)	(340,444)
Net change in total OPEB liability	3,519,171	4,874,769	836,976	992,474
Total OPEB Liability - Beginning	14,883,075	10,008,306	9,171,330	8,178,856
Total OPEB Liability - Ending	<u>\$ 18,402,246</u>	<u>\$ 14,883,075</u>	<u>\$ 10,008,306</u>	<u>\$ 9,171,330</u>
Covered Payroll	<u>N/A ¹</u>	<u>N/A ¹</u>	<u>N/A ¹</u>	<u>N/A ¹</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A ¹</u>	<u>N/A ¹</u>	<u>N/A ¹</u>	<u>N/A ¹</u>
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

¹ The OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay; therefore, no measure of payroll is presented.

Note: In the future, as data becomes available, ten years of information will be presented.

Kerman Unified School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2025

Year ended June 30,	2025	2024	2023	2022
Proportion of the net OPEB liability	0.0720%	0.0706%	0.0680%	0.0671%
Proportionate share of the net OPEB liability	\$ 191,889	\$ 214,363	\$ 224,124	\$ 267,712
Covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(1.02%)	(0.96%)	(0.94%)	(0.80%)
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021

¹ As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

Note: In the future, as data becomes available, ten years of information will be presented.

Kerman Unified School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2025

Year ended June 30,	2021	2020	2019	2018
Proportion of the net OPEB liability	0.0797%	0.0763%	0.0754%	0.0723%
Proportionate share of the net OPEB liability	\$ 337,708	\$ 284,145	\$ 288,746	\$ 304,087
Covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(0.71%)	(0.81%)	(0.40%)	0.01%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

¹ As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

Note: In the future, as data becomes available, ten years of information will be presented.

Kerman Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability – CalSTRS
Year Ended June 30, 2025

CalSTRS	2025	2024	2023	2022	2021
Proportion of the net pension liability	0.0493%	0.0478%	0.0453%	0.0477%	0.0457%
Proportionate share of the net pension liability	\$ 33,144,130	\$ 36,375,480	\$ 31,501,039	\$ 20,320,079	\$ 44,319,773
State's proportionate share of the net pension liability	15,206,641	17,428,516	15,775,597	10,224,276	22,846,848
Total	<u>\$ 48,350,771</u>	<u>\$ 53,803,996</u>	<u>\$ 47,276,636</u>	<u>\$ 30,544,355</u>	<u>\$ 67,166,621</u>
Covered payroll	<u>\$ 33,337,717</u>	<u>\$ 30,456,675</u>	<u>\$ 26,309,149</u>	<u>\$ 25,289,573</u>	<u>\$ 25,056,667</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	99.42%	119.43%	119.73%	80.35%	176.88%
Plan fiduciary net position as a percentage of the total pension liability	84%	81%	81%	87%	72%
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
	2020	2019	2018	2017	2016
Proportion of the net pension liability	0.0431%	0.0420%	0.0399%	0.0387%	0.0389%
Proportionate share of the net pension liability	\$ 38,955,444	\$ 38,626,809	\$ 36,921,934	\$ 31,279,184	\$ 26,174,849
State's proportionate share of the net pension liability	21,252,795	22,115,655	21,842,704	17,806,682	13,843,609
Total	<u>\$ 60,208,239</u>	<u>\$ 60,742,464</u>	<u>\$ 58,764,638</u>	<u>\$ 49,085,866</u>	<u>\$ 40,018,458</u>
Covered payroll	<u>\$ 23,637,654</u>	<u>\$ 22,539,051</u>	<u>\$ 21,476,335</u>	<u>\$ 19,442,693</u>	<u>\$ 18,459,673</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	164.80%	171.38%	171.92%	160.88%	141.79%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015

Kerman Unified School District
Schedule of the District's Proportionate Share of the Net Pension Liability – CalPERS
Year Ended June 30, 2025

CalPERS	2025	2024	2023	2022	2021
Proportion of the net pension liability	0.0681%	0.0658%	0.0630%	0.0611%	0.0634%
Proportionate share of the net pension liability	\$ 24,324,562	\$ 23,828,551	\$ 21,675,157	\$ 12,417,871	\$ 19,466,705
Covered payroll	\$ 13,420,352	\$ 11,379,677	\$ 9,645,360	\$ 8,757,256	\$ 9,123,924
Proportionate share of the net pension liability as a percentage of its covered payroll	181.25%	209.40%	224.72%	141.80%	213.36%
Plan fiduciary net position as a percentage of the total pension liability	72%	70%	70%	81%	70%
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
	2020	2019	2018	2017	2016
Proportion of the net pension liability	0.0626%	0.0611%	0.0587%	0.0583%	0.0563%
Proportionate share of the net pension liability	\$ 18,232,616	\$ 16,279,540	\$ 14,009,298	\$ 11,517,465	\$ 8,297,362
Covered payroll	\$ 8,615,242	\$ 8,026,360	\$ 7,450,821	\$ 6,964,767	\$ 6,195,463
Proportionate share of the net pension liability as a percentage of its covered payroll	211.63%	202.83%	188.02%	165.37%	133.93%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015

Kerman Unified School District
Schedule of the District's Contributions – CalSTRS
Year Ended June 30, 2025

CalSTRS	2025	2024	2023	2022	2021
Contractually required contribution	\$ 6,706,129	\$ 6,367,504	\$ 5,817,225	\$ 4,451,508	\$ 4,084,266
Less contributions in relation to the contractually required contribution	6,706,129	6,367,504	5,817,225	4,451,508	4,084,266
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 35,110,623	\$ 33,337,717	\$ 30,456,675	\$ 26,309,149	\$ 25,289,573
Contributions as a percentage of covered payroll	19.10%	19.10%	19.10%	16.92%	16.15%
	2020	2019	2018	2017	2016
Contractually required contribution	\$ 4,284,690	\$ 3,848,210	\$ 3,252,385	\$ 2,701,723	\$ 2,086,201
Less contributions in relation to the contractually required contribution	4,284,690	3,848,210	3,252,385	2,701,723	2,086,201
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 25,056,667	\$ 23,637,654	\$ 22,539,051	\$ 21,476,335	\$ 19,442,693
Contributions as a percentage of covered payroll	17.10%	16.28%	14.43%	12.58%	10.73%

Kerman Unified School District
Schedule of the District's Contributions – CalPERS
Year Ended June 30, 2025

CalPERS	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contribution	\$ 3,931,122	\$ 3,580,550	\$ 2,887,024	\$ 2,209,752	\$ 1,812,752
Less contributions in relation to the contractually required contribution	<u>3,931,122</u>	<u>3,580,550</u>	<u>2,887,024</u>	<u>2,209,752</u>	<u>1,812,752</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 14,532,799</u>	<u>\$ 13,420,352</u>	<u>\$ 11,379,677</u>	<u>\$ 9,645,360</u>	<u>\$ 8,757,256</u>
Contributions as a percentage of covered payroll	<u>27.050%</u>	<u>26.680%</u>	<u>25.370%</u>	<u>22.910%</u>	<u>20.700%</u>
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 1,799,329	\$ 1,556,085	\$ 1,246,574	\$ 1,034,770	\$ 825,116
Less contributions in relation to the contractually required contribution	<u>1,799,329</u>	<u>1,556,085</u>	<u>1,246,574</u>	<u>1,034,770</u>	<u>825,116</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 9,123,924</u>	<u>\$ 8,615,242</u>	<u>\$ 8,026,360</u>	<u>\$ 7,450,821</u>	<u>\$ 6,964,767</u>
Contributions as a percentage of covered payroll	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous measurement.
- *Changes of Assumptions* – The discount rate changed from 3.65% to 3.93% since the previous measurement.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability - MPP Program and the plan fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 3.65% to 3.93% since the previous valuation. The Medicare Part A premium cost trend rate assumption was changed from 4.50% to 5.00%, while the Medicare Part B premium cost trend rate assumption was changed from 5.40% to 6.50% since the previous valuation.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District.

- *Changes in Benefit Terms* – There were no changes in benefit terms for the CalSTRS or CalPERS plans since the previous valuations.
- *Changes of Assumptions* – There were no changes in economic assumptions for the CalSTRS or CalPERS plans since the previous valuations.

Schedule of the District's Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution.

Supplementary Information
June 30, 2025

Kerman Unified School District

Kerman Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through California Department of Education			
Title I, Part A, Basic Grants Low Income and Neglected	84.010	14329	\$ 1,936,780
Title I Migrant Ed Summer Program	84.011	10005	28,372
Title I, Part C, Migrant Ed	84.011	14326	<u>126,390</u>
Subtotal			<u>154,762</u>
Strengthening Career and Technical Education for the 21st Century (Perkins V): Secondary, Section 131	84.048	14894	53,894
Title III, English Learner Student Program	84.365	14346	221,166
Title III, Immigrant Education Program	84.365	15146	<u>35,229</u>
Subtotal			<u>256,395</u>
Title II, Part A, Supporting Effective Instruction	84.367	14341	192,796
Title IV, Part A, Student Support and Academic Enrichment	84.424	15396	53,941
Passed through Fresno County SELPA			
Special Education Cluster (IDEA)			
Local Assistance, Part B, Sec 611, Private School Individual Service Plans	84.027	10115	10,698
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	1,184,352
Mental Health Allocation Plan, Part B, Sec 611	84.027A	15197	<u>62,391</u>
Subtotal			<u>1,257,441</u>

Kerman Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through Fresno County SELPA			
Special Education Cluster (IDEA)			
Preschool Grants, Part B, Sec 619	84.173	13430	46,137
Subtotal Special Education Cluster (IDEA)			1,303,578
Total U.S. Department of Education			3,952,146
U.S. Department of Agriculture			
Passed through California Department of Education			
Child Nutrition Cluster			
School Breakfast Basic	10.553	13525	6,839
School Breakfast Needy	10.553	13526	835,772
Subtotal			842,611
School Lunch - Section 4	10.555	13523	249,122
Commodities	10.555	13524	109,252
School Lunch - Section 11	10.555	13524	1,823,709
Subtotal			2,182,083
Fresh Fruit and Vegetable Program	10.582	14968	136,446
Subtotal Child Nutrition Cluster			3,161,140

Kerman Unified School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through California Department of Social Services			
Child and Adult Care Food Program (CACFP)			
CACFP Claims - Centers and Family Day Care Homes	10.558	13529	544,354
Cash in Lieu of Commodities	10.558	13534	36,864
Subtotal			581,218
Total U.S. Department of Agriculture			3,742,358
Total Federal Financial Assistance			\$ 7,694,504

Kerman Unified School District
Schedule of Average Daily Attendance
Year Ended June 30, 2025

	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	1,461.62	1,463.65
Fourth through sixth	1,150.19	1,151.66
Seventh and eighth	764.75	763.74
Ninth through twelfth	1,558.35	1,548.16
Total ADA	4,934.91	4,927.21

Kerman Unified School District

Schedule of Instructional Time

Year Ended June 30, 2025

Grade Level	1986-1987 Minutes Requirement	2024-2025 Actual Minutes	Number of Actual Days	Status
Kindergarten	36,000	57,780	180	Complied
Grades 1 - 3	50,400			
Grade 1		55,080	180	Complied
Grade 2		55,080	180	Complied
Grade 3		55,080	180	Complied
Grades 4 - 8	54,000			
Grade 4		55,080	180	Complied
Grade 5		55,080	180	Complied
Grade 6		55,080	180	Complied
Grade 7		64,073	180	Complied
Grade 8		64,073	180	Complied
Grades 9 - 12	64,800			
Grade 9		66,019	180	Complied
Grade 10		66,019	180	Complied
Grade 11		66,019	180	Complied
Grade 12		66,019	180	Complied

Kerman Unified School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2025

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2025.

Kerman Unified School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2025

	(Budget) 2026 ¹	2025	2024 ¹	2023 ¹
General Fund ³				
Revenues	\$ 106,428,476	\$ 104,016,763	\$ 108,040,316	\$ 116,985,633
Other sources	-	-	1,444,628	353,392
Total Revenues and Other Sources	106,428,476	104,016,763	109,484,944	117,339,025
Expenditures	111,038,271	97,441,416	102,851,512	105,603,966
Other uses and transfers out	1,000,000	3,000,000	7,000,000	8,000,000
Total Expenditures and Other Uses	112,038,271	100,441,416	109,851,512	113,603,966
Increase/(Decrease) in Fund Balance	(5,609,795)	3,575,347	(366,568)	3,735,059
Ending Fund Balance	\$ 35,241,998	\$ 40,851,793	\$ 37,276,446	\$ 37,643,014
Available Reserves ²	\$ 24,138,285	\$ 10,044,142	\$ 10,985,151	\$ 11,325,057
Available Reserves as a Percentage of Total Outgo	21.54%	10.00%	10.00%	9.97%
Long-Term Liabilities ⁴	Not Available	\$ 134,001,736	\$ 128,912,483	\$ 124,108,302
Average Daily Attendance at P-2	4,935	4,935	4,891	4,885

The General Fund balance has increased by \$3,208,779 over the past two years. The fiscal year 2025-2026 budget projects a decrease of \$5,609,795 (14%). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2025-2026 fiscal year. Total long-term liabilities have increased by \$9,893,434 over the past two years primarily due to changes in pension liabilities.

Average daily attendance has increased by 50 over the past two years. No change in ADA is anticipated during fiscal year 2025-2026.

¹ Financial information for 2026, 2024, and 2023 are included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of unassigned fund balance contained within the General Fund.

³ General Fund amounts do not include activity related to the consolidation of the Special Reserve for Postemployment Benefits Fund as required by GASB Statement No. 54.

⁴ Amounts have not been restated for the effects of the implementation of GASB Statement No. 101 for comparative purposes. See Note 15 for further information.

Kerman Unified School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2025

	Student Activities Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Assets								
Deposits and investments	\$ 1,843,829	\$ 561,905	\$ 4,042,721	\$ 32,900	\$ 1,917,461	\$ 272,406	\$ 3,268,495	\$ 11,939,717
Receivables	12,892	113,315	894,059	1,200	14,012	2,014	21,500	1,058,992
Due from other funds	-	-	22,667	-	-	-	-	22,667
Stores inventories	-	-	39,445	-	-	-	-	39,445
Total assets	\$ 1,856,721	\$ 675,220	\$ 4,998,892	\$ 34,100	\$ 1,931,473	\$ 274,420	\$ 3,289,995	\$ 13,060,821
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ -	\$ 21,252	\$ 158,495	\$ 1,975	\$ -	\$ 210,576	\$ -	\$ 392,298
Due to other funds	-	39,787	119,635	-	-	-	-	159,422
Unearned revenue	-	-	5,814	-	-	-	-	5,814
Total liabilities	-	61,039	283,944	1,975	-	210,576	-	557,534
Fund Balances								
Nonspendable	-	-	39,445	-	-	-	-	39,445
Restricted	1,856,721	614,181	4,675,503	-	1,931,473	63,844	3,289,995	12,431,717
Assigned	-	-	-	32,125	-	-	-	32,125
Total fund balances	1,856,721	614,181	4,714,948	32,125	1,931,473	63,844	3,289,995	12,503,287
Total liabilities and fund balances	\$ 1,856,721	\$ 675,220	\$ 4,998,892	\$ 34,100	\$ 1,931,473	\$ 274,420	\$ 3,289,995	\$ 13,060,821

Kerman Unified School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds

Year Ended June 30, 2025

	Student Activities Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues								
Local Control Funding Formula	\$ -	\$ -	\$ -	\$ 1,000,000	\$ -	\$ -	\$ -	\$ 1,000,000
Federal sources	-	-	3,742,357	-	-	-	-	3,742,357
Other State sources	-	999,505	832,790	-	-	(8,927)	14,878	1,838,246
Other local sources	360,111	31,534	731,475	13,279	526,495	14,866	3,191,065	4,868,825
Total revenues	360,111	1,031,039	5,306,622	1,013,279	526,495	5,939	3,205,943	11,449,428
Expenditures								
Current								
Instruction	-	731,739	-	-	-	-	-	731,739
Instruction-related activities								
Supervision of instruction	-	49	-	-	-	-	-	49
School site administration	-	104,192	-	-	-	-	-	104,192
Pupil services								
Food services	-	-	4,952,953	-	-	-	-	4,952,953
Administration								
All other administration	-	39,780	113,893	-	-	-	-	153,673
Plant services	-	-	81,602	1,015,258	-	-	-	1,096,860
Ancillary services	287,225	-	-	-	-	-	-	287,225
Facility acquisition and construction	-	-	531,458	-	2,403	-	-	533,861
Debt service								
Principal	-	-	-	-	-	-	1,807,604	1,807,604
Interest and other	-	-	-	-	-	-	1,253,225	1,253,225
Total expenditures	287,225	875,760	5,679,906	1,015,258	2,403	-	3,060,829	10,921,381

Kerman Unified School District

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds

Year Ended June 30, 2025

	Student Activities Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Net Change in Fund Balances	72,886	155,279	(373,284)	(1,979)	524,092	5,939	145,114	528,047
Fund Balance - Beginning	<u>1,783,835</u>	<u>458,902</u>	<u>5,088,232</u>	<u>34,104</u>	<u>1,407,381</u>	<u>57,905</u>	<u>3,144,881</u>	<u>11,975,240</u>
Fund Balance - Ending	<u>\$ 1,856,721</u>	<u>\$ 614,181</u>	<u>\$ 4,714,948</u>	<u>\$ 32,125</u>	<u>\$ 1,931,473</u>	<u>\$ 63,844</u>	<u>\$ 3,289,995</u>	<u>\$ 12,503,287</u>

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of the Kerman Unified School District (the District) under programs of the federal government for the year ended June 30, 2025. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Kerman Unified School District, it is not intended to and does not present the net position, changes in net position or fund balances of Kerman Unified School District.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

The District has not elected to use the ten percent de minimis cost rate.

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2025, the District had spent food commodities totaling \$109,252.

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46207.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

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.

Non-Major Governmental Funds - Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

These schedules are included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

Other Information
June 30, 2025

Kerman Unified School District

Organization

The Kerman Unified School District was established on July 1, 1983, and consists of an area comprising 146 square miles located in Fresno County. The District operates five elementary schools, one middle school, one high school, one continuation/opportunity school, and one online school. There were boundary changes for the year 2024-2025 school year.

Governing Board

Member	Office	Term Expires
Daniel Babshoff	President	2028
Maria Cantu	Vice President	2028
Kindra Melgoza	Clerk	2026
Jim Volkoff	Member	2026
Julie Gragnani	Member	2026

Administration

Gordon Pacheco	Superintendent
Gabriel Melgoza	Assistant Superintendent Personnel
Kraig Magnussen	Assistant Superintendent/Chief Business Official
Sandeep Jaspal	Assistant Superintendent Educational Services
Cecilia Belmontes	Director Fiscal Services

Independent Auditor's Reports
June 30, 2025

Kerman Unified School District



**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***

To the Governing Board
Kerman Unified School District
Kerman, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kerman Unified 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 9, 2025.

Adoption of New Accounting Standard

As discussed in Note 15 to the financial statements, the District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* for the year ended June 30, 2025. Accordingly, a restatement has been made to the governmental activities net position as of July 1, 2024, to restate beginning net position. Our opinions are not modified with respect to this matter.

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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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*.

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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fresno, California
December 9, 2025



Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Governing Board
Kerman Unified School District
Kerman, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Kerman Unified School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of 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 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 the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's 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 the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the 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 program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the 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 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over*

compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fresno, California
December 9, 2025



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

To the Governing Board
Kerman Unified School District
Kerman, California

Report on Compliance

Opinion on State Compliance

We have audited Kerman Unified School District's (the District) compliance with the requirements specified in the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the District's state program requirements identified below for the year ended June 30, 2025.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2025.

Basis for Opinion

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 *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. 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 District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2024-2025 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 *2024-2025 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:

2024-2025 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes

2024-2025 K-12 Audit Guide Procedures	Procedures Performed
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
Home to School Transportation Reimbursement	Yes
School Districts, County Offices of Education, and Charter Schools	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Not Applicable
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	Not Applicable
Immunizations	Not Applicable
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Not Applicable
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Yes
Kindergarten Continuance	Yes
Charter Schools	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

The term “Not Applicable” is used above to mean either the District did not offer the program during the current fiscal year, the District did not participate in the program during the current fiscal year, or the program applies to a different type of local education agency.

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 identify during the audit.

Other Matters

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. Our opinion on state compliance is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance finding identified in our audit and 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 compliance and, accordingly, we express no opinion on the response.

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 *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fresno, California
December 9, 2025

Schedule of Findings and Questioned Costs
June 30, 2025

Kerman Unified School District

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	No

Identification of major programs

<u>Name of Federal Program or Cluster</u>	<u>Federal Financial Assistance Listing</u>
Title I, Part A, Basic Grant	84.010
Child Nutrition Cluster	10.553, 10.555, 10.582
Dollar threshold used to distinguish between type A and type B programs	\$ 750,000
Auditee qualified as low-risk auditee?	No

State Compliance

Internal control over state compliance programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Other matters to be reported	Yes
Type of auditor's report issued on compliance for programs	Unmodified

None reported.

None reported.

The following finding represents an instance of noncompliance that is required to be reported by the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
61000	Classroom Teacher Salaries

2025-001 61000 – Classroom Teacher Salaries

Criteria or Specific Requirements

In accordance with *Education Code* Section 41372, the District is required to expend at least 55% of General Fund expenditures on classroom teacher salaries.

Condition

In reviewing Form CEA, it was noted the District did not meet the minimum percentage required for payment of classroom teachers. Form CEA reported total current expense (Column 5) of \$81,379,264.42 and minimum classroom compensation (Part II) of \$42,455,753.69 which represented 52.17% of current expense, resulting in a deficiency of 2.83% or \$2,303,033.18.

Cause

One-time funding resources and programs continue to be a significant portion of District operations. These resources often have various deadlines and expenditure requirements that may impact the calculation in a positive or negative manner.

Effect

The noncompliance resulted in the District being deficient by 2.83% or \$2,303,033.18.

Questioned Costs

There are no questioned costs related to this finding.

Repeat Finding

Yes (Finding 2024-001)

Recommendation

We recommend management continue to evaluate the requirements of *Education Code* Section 41372 and the overall budget of the District and programs to continue to work towards compliance. The District should also continue to monitor the programs that can be excluded from the calculation to accurately calculate percentage. In years where the minimum percentage is not obtained, the District should review exemption requirements and should request a waiver from the Fresno County Superintendent of Schools.

Corrective Action Plan and Views of Responsible Officials

The District's ability to meet the CEA requirement continues to be influenced by one-time and multi-year funding rather than ongoing revenue. These temporary funds often come with program-specific restrictions, which limits how flexibly they can be used, particularly for ongoing commitments such as employee compensation. As a result, even when total expenditures appears to increase, much of it cannot be applied toward the CEA calculation.

Our District remains comparable to other districts of similar or larger size in terms of salary compensation. We also maintain strong retention of certificated personnel, reflecting both competitiveness and stability. These factors help demonstrate that the District is not intentionally limiting salary increases to spend funds elsewhere. We will continue evaluating our expenditure mix and multi-year projections as we work toward meeting the required percentage.

Summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

State Compliance Findings

2024-001 61000 – Classroom Teacher Salaries

Criteria or Specific Requirements

In accordance with *Education Code* Section 41372, the District is required to expend at least 55% of General Fund expenditures on classroom teacher salaries.

Condition

In reviewing Form CEA, it was noted the District did not meet the minimum percentage required for payment of classroom teachers. Form CEA reported total current expense (Column 5) of \$77,187,784.99 and minimum classroom compensation (Part II) of \$42,202,419.36 which represented 54.67% of current expense, resulting in a deficiency of 0.33% or \$254,719.69.

Cause

As a result of the District receiving significant sources of one-time funding to be used specifically for COVID-19 related expenditures, the District's ratio was not maintained.

Effect

The noncompliance resulted in the District being deficient by 0.33% or \$254,719.69.

Questioned Costs

There are no questioned costs related to this finding.

Repeat Finding

Yes (Finding 2023-001)

Recommendation

The District should request a waiver from the Fresno County Superintendent of Schools for this issue.

Current Status

Not implemented, see current year findings and recommendations.

2024-002 40000 – Expanded Learning Opportunities Grant (ELO-G)

Criteria

California Education Code Section 43522(c) states that of the funds apportioned under paragraph (3) of subdivision (b) of Section 43521, a local educational agency shall use at least 10% of its apportionment to hire paraprofessionals to provide supplemental instruction and support through the duration of this program, with a priority for full-time paraprofessionals.

Resource 7426 was established to track expenditures for this purpose.

Condition

During the audit of ELO-G, we discovered the District did not meet the requirements of *Education Code* Section 43522(c). Three expenditures in Resource 7426 were not for paraprofessional staff salaries and benefits. The expenditures were for payment of professional development costs to a 3rd party vendor for the paraprofessionals, but was not specifically for the salaries and benefits cost of the paraprofessionals attending.

Cause

It appears to be an accidental oversight that expenditures unrelated to paraprofessional salaries and benefits were charged to Resource 7426.

Effect

The District is non-compliant with the requirements of *Education Code* Section 43522(c) for the Expanded Learning Opportunities Grant by \$73,650.

Questioned Costs

The District is out of compliance in the amount of \$73,650.

Repeat Finding

No

Recommendation

The District should continue to monitor compliance with the requirements of ELO-G. The District should return principal apportionment in the amount of expenditures that were found to be noncompliant.

Current Status

Implemented.