

FINANCE AND AUDIT COMMITTEE REGULAR MEETING

MENLO PARK CITY SCHOOL DISTRICT

AGENDA

December 17, 2015

11:00 a.m. – 1:00 p.m.

District Office – TERC Training Room

181 Encinal Ave, Atherton CA 94027

Regular Finance and Audit Committee Meetings are open to the public. Prior to any final action being taken on any item, members of the public in attendance are invited to address the Committee regarding items under consideration.

- I. CALL TO ORDER AND ROLL CALL
- II. REVIEW AND AMEND THE AGENDA
Amendments to the agenda may be made at this time
- III. COMMENTS FROM THE AUDIENCE
Under Comments from the Audience, the public may address the Committee on any subject not listed on the agenda. An individual may only address the Committee once under this item. Three (3) minutes may be allotted to each speaker but can be extended by a Committee member, if so desired. The Committee cannot act on non-agenda items and cannot respond to issues other than to provide general information. The individual shall state his/her name and address before addressing the Committee.
- IV. CONSENT AGENDA
Information concerning any consent items listed below has been forwarded to each Committee Member prior to the meeting for study. All items on the consent agenda are routine in nature and will be acted upon in one single motion. If any member of the Committee, the Chairperson, or the public so requests, an item shall be removed from the consent agenda and will be placed on the regular order of business following the approval of the consent agenda for separate discussion and action.

A. Finance and Audit Committee meeting Minutes of June 4, 2015.
- V. DISCUSSION/ACTION ITEMS - none
- VI. REPORTS/DISCUSSION ITEMS
 - A. Review 2015-16 First Interim Budget
 - B. Review 2014-15 Audit Report
 - C. Discuss upcoming Measure C Parcel Tax Renewal
 - D. Update on Strategic Directions
 - E. OPEB Contribution Update
 - F. Staff Reports
 - G. Committee Member Reports
- VII. WRITTEN COMMUNICATIONS
 - A. 2015-16 First Interim Budget
 - B. 2014-15 Audit Report
 - C. Unapproved Meeting Minutes from June 4, 2015
- VIII. FUTURE MEETINGS
 - A. Next Meeting Date
- IX. ADJOURNMENT

UNAPPROVED

MINUTES OF THE
MENLO PARK CITY SCHOOL DISTRICT FINANCE AND AUDIT COMMITTEE

Regular Meeting
June 4, 2015
12:00 p.m.

CALL TO ORDER AND ROLL CALL

Chair Joan Lambert called the meeting to order at 12:05 p.m. Kristin Campbell and Troy Atkinson were not present.

REVIEW AND AMEND THE AGENDA-no change
NO COMMENTS FROM THE AUDIENCE

ITEMS ON CONSENT: Mark Box moved and Steven Tonsfeldt seconded approval of the minutes of the March 18 meeting. Troy Atkinson, Mark Box, Jeff Child and Joan Lambert approved.

COMMENTS FROM THE AUDIENCE- None

REPORTS/DISCUSSION ITEMS:

Ahmad Sheikholeslami, CBOO, reviewed the 2015/16 Budget. Deficit spending was highlighted with attention to multi-year assumptions of projected property tax and the expiration of Measure C parcel tax in 2017/18.

Ahmad Sheikholeslami, CBOO, discussed the governor's May Revision of the 2015/16 State Budget. The District expects to receive an additional \$430 per Average Daily Attendance (ADA), which will be included in the District's First Interim Budget Report. Possible one-time expenditures were shared. Staff will bring a full proposal to the August Board meeting before making budget revisions.

The committee discussed timing and plans for renewal of the Measure C parcel tax. The CBOO shared that the Board will be meeting in August to review long-term planning and suggested the Finance and Audit Committee be included in that study session.

The committee, also, discussed recruiting for new members of the Finance and Audit Committee. Joan Lambert suggested the District advertise for one or two new members this fall.

No Staff Reports.

No Committee Member Reports.

FUTURE MEETINGS:

The Finance and Audit Committee is encouraged to participate in a Board study session to be scheduled this August.

ADJOURNMENT:

Joan Lambert adjourned the meeting at 2:00 pm.

MENLO PARK CITY SCHOOL DISTRICT

FINANCIAL STATEMENTS

June 30, 2015

MENLO PARK CITY SCHOOL DISTRICT
 FINANCIAL STATEMENTS
 WITH SUPPLEMENTARY INFORMATION
 For the Year Ended June 30, 2015
 (Continued)

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MENLO PARK CITY SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Menlo Park City School District
Atherton, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Menlo Park City School District, as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise Menlo Park City School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the 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 Menlo Park City School District, as of June 30, 2015, 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.

(Continued)

Emphasis of Matter

As discussed in Note 1 to the financial statements, in June 2012 the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, "Accounting and Financial Reporting for Pensions." Also, in November 2013 the GASB issued GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date". As discussed in notes 7 and 8, GASB Statements No. 68 and No. 71 are effective for the District's fiscal year ending June 30, 2015. These Statements replace the requirements of GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB Statement No. 50, "Pension Disclosures." GASB Statements No. 68 and No. 71 establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses as well as identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Note disclosures and required supplementary information (RSI) requirements about pensions are also addressed. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 4 to 10 and the General Fund Budgetary Comparison Schedule, the Deferred Maintenance Fund Budgetary Comparison Schedule, the Schedule of Other Postemployment Benefits (OPEB) Funding Progress, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions on pages 48 and 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Menlo Park City School District's basic financial statements. The accompanying schedule of expenditure of federal awards as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and the other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

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

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

(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2015 on our consideration of Menlo Park City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Menlo Park City School District's internal control over financial reporting and compliance.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
December 7, 2015

**MENLO PARK CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

This section of Menlo Park City School District's (the District's) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2015. The intent of the Management Discussion and Analysis (MD & A) is to look at the District's financial performance as a whole. With this in mind, please also refer to the District's financial statements (including notes and supplementary information).

Using the Annual Report

This annual report consists of a series of basic financial statements and notes to those statements. These statements are organized so the reader can understand Menlo Park City School District as a financial whole, an entire operating entity. The statements provide an increasingly detailed look at specific financial activities.

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

Overview of the Financial Statements

The full annual financial report is a product of three separate parts: the basic financial statements, supplementary information, and this section, Management Discussion and Analysis. The three sections together provide a comprehensive financial overview of the District. The basic financials are comprised of two kinds of statements that present financial information from different perspectives, District-wide and funds.

- District-wide financial statements, which comprise the first two statements, the Statement of Net Position and the Statement of Activities, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements, focus on reporting the District's operations in more detail. These fund financial statements comprise the remaining statements.
- Notes to the Financial Statements, which are included as part of the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information section provides further explanations and provides additional support for the financial statements.

**MENLO PARK CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Government-Wide Financial Statements – Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, “How did we do financially during the fiscal year 2014-15? The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting practices used by most private-sector companies. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the District’s net position and changes in that position, respectively. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District’s property tax base, current property tax laws in California restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the District reports governmental activities. Governmental activities are the activities where most of the District’s programs and services are reported, including, but not limited to, instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities. The District does not have any business-type activities.

Reporting the District’s Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District’s major funds. The District uses many funds to account for a multitude of financial transactions. These fund financial statements focus on each of the District’s most significant funds. The District’s major governmental funds are the General Fund, the Deferred Maintenance Fund, the Building Fund, the Capital Facilities Fund, and the Bond Interest and Redemption Fund. The Deferred Maintenance Fund was not considered a major fund last year.

Governmental Funds

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

**MENLO PARK CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The District as a Whole

Recall that the Statement of Net Position provides the perspective of the District as a whole.

Table 1 provides a summary of the District's net position as of June 30, 2015 compared to June 30, 2014:

Table 1 - Summary of the Statement of Net Position

	2015	2014	Change	Percentage Change
Assets				
Current and Other Assets	\$ 53,903,911	\$ 54,434,576	\$ (530,665)	(1)%
Capital Assets	115,539,499	115,721,820	(182,321)	0.2%
Total Assets	<u>\$ 169,443,410</u>	<u>\$ 170,156,396</u>	<u>\$ (712,986)</u>	<u>(0.4)%</u>
Deferred Outflows				
Deferred Outflows of Resources – Pensions	\$ 2,712,573	\$ 0	\$ 2,712,573	100%
Deferred Loss on Refunding of Debt	8,166,646	2,139,358	6,027,288	282%
Total Deferred Outflows	<u>\$ 10,879,219</u>	<u>\$ 2,139,358</u>	<u>\$ 8,739,861</u>	<u>409%</u>
Liabilities				
Current Liabilities and Other	\$ 7,972,935	\$ 5,222,275	\$ 2,750,660	53%
Long-Term Liabilities	174,927,234	136,504,556	38,422,678	28%
Total Liabilities	<u>\$ 182,900,169</u>	<u>\$ 141,726,831</u>	<u>\$ 41,173,338</u>	<u>29%</u>
Deferred Inflows				
Deferred Inflows of Resources – Pensions	\$ 8,509,000	\$ 0	\$ 8,509,000	100%
Net Position				
Net Investment in Capital Assets	\$ 3,652,992	\$ 6,335,331	\$ (2,682,339)	(42)%
Restricted	12,992,787	17,503,799	(4,511,012)	(26)%
Unrestricted	(27,732,319)	6,729,793	(34,462,112)	(512)%
Total Net Position	<u>\$(11,086,540)</u>	<u>\$ 30,568,923</u>	<u>\$(41,655,463)</u>	<u>(136)%</u>

The change in Net Position from 2014 to 2015 is a reduction of \$41.7 million. Of this amount, \$38.2 million is attributable to implementation of GASB Statement Nos. 68 and 71, new accounting standards to incorporate the District's net pension liability. The change in the General Fund balance, including Special Reserves for Other than Capital Outlay (parcel tax balances) and Postemployment Benefits is a reduction of \$2.3 million. This includes an ongoing operating deficit of \$1.2 million and a one-time interfund transfer from the General Fund to the Deferred Maintenance Fund of \$685,000.

**MENLO PARK CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Table 2 shows the changes in net position during the fiscal year 2014-15:

Table 2 - Summary of Changes in Net Position				
	2015	2014	Change	Percentage Change
Revenues				
Program Revenues				
Charges for services	\$ 4,925	\$ 40,779	\$ (35,854)	(88)%
Operating grants and contributions	2,556,534	2,906,766	(350,232)	(12)%
Capital grants and contributions	-	-		
General Revenues:				
Property taxes	38,080,279	34,667,775	3,412,504	10%
Grants and entitlements - unrestricted	2,358,655	2,563,092	(204,437)	(8)%
Other	5,132,367	6,051,865	(919,498)	(15)%
Total Revenues	\$ 48,132,760	\$46,230,277	\$ 1,902,483	4%
Program Expenses				
Instruction	\$ 31,007,384	\$28,555,915	\$ 2,451,469	9%
Instruction-related services	5,691,765	4,474,345	1,217,420	27%
Pupil services	2,221,155	1,814,088	407,067	22%
General administration	2,738,537	1,679,811	1,058,726	63%
Plant services	2,896,210	3,117,652	(221,442)	(7)%
Interest and fiscal charges	6,593,939	6,965,130	(371,191)	(5)%
Other outgo	437,792	1,119,762	(681,970)	(61)%
Total Expenses	\$ 51,586,782	\$47,726,703	\$ 3,860,079	8%
Change in Net Position	\$ (3,454,022)	\$(1,496,426)	\$ (1,958,596)	(131)%
Beginning Net Position, as previously stated	\$ 30,568,923	\$32,065,349	\$ (1,496,426)	(5)%
Cumulative effective of GASB 68 implementation	(38,201,441)		(38,201,441)	(100)%
Beginning Net Position, restated	(7,632,518)	32,065,349	(39,697,867)	(124)%
Ending Net Position	\$(11,086,540)	\$30,568,923	\$(41,655,463)	(136)%

Financial Highlights:

Overall revenues and transfers-in to the General Fund were \$41.1 million. Total Expenditures were \$42.2 million. General Fund property taxes accounted for 61% of revenue. Another 25% was received from local parcel taxes and the Menlo Park Education Foundation (16% and 9% of General Fund revenue, respectively). The District is community funded and does not receive additional revenue for enrollment growth. For the fiscal year 2014-15, the District student enrollment did not substantially change.

Instruction and Instruction Related Services make up 71% of the District's total Governmental Activities Program Expenses. Pupil Services make up another 4%.

**MENLO PARK CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Table 3 shows the net cost of services, and identifies the cost of these services supported by revenues.

Table 3 - Net Cost of Services				
	2015	2014	Change	Percentage Change
Instruction	\$ 29,317,541	\$ 26,954,168	\$ 2,363,373	9%
Instruction-related services	5,443,407	4,335,707	1,107,700	26%
Pupil services	2,016,246	1,588,647	427,599	27%
General administration	2,702,171	1,642,366	1,059,805	65%
Plant services	2,795,622	3,009,668	(214,046)	(7)%
Interest and fiscal charges	6,593,939	6,965,130	(371,191)	(5)%
Other outgo	156,397	283,472	(127,075)	(45)%
Total Net Cost of Services	\$ 49,025,323	\$ 44,779,158	\$ 4,246,165	9%

Net Cost of Services takes into account any charges for services, grants and contributions that reduce the Total Cost of Services.

Direct Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Pupil Services and Instruction-related Services include the activities involved with assisting staff with the content and process of teaching to pupils.

General Administration includes the costs for the Board of Trustees, administration, fiscal and business services and other expenses associated with administrative and financial supervision of the District.

Plant Services includes the operation and maintenance of plant activities, which involve keeping the school grounds, buildings, and equipment in effective working condition.

Interest and Fiscal Charges involve the transactions associated with the payment of interest and other related charges to debt of the District.

**MENLO PARK CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

District's Fund Balances

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

Table 4 - Summary of Fund Balances

	2015	2014	Change	Percentage Change
General Fund	\$ 14,165,843	\$ 16,454,786	\$ (2,288,943)	(14)%
Cafeteria Fund	58,440	84,565	(26,125)	(31)%
Deferred Maintenance Fund	2,345,940	1,952,833	393,107	20%
Building Fund	25,430,316	27,161,258	(1,730,942)	(6)%
Capital Facilities Fund	1,016,449	664,168	352,281	53%
County School Facilities Fund	147	138,983	(138,836)	(100)%
Special Reserve for Capital Outlay Projects Fund	1,878,702	1,164,364	714,338	61%
Bond Interest and Redemption Fund	6,612,107	5,524,812	1,087,295	20%
Total Fund Balances	<u>\$ 51,507,944</u>	<u>\$ 53,145,769</u>	<u>\$ (1,637,825)</u>	<u>(3)%</u>

For purposes of the Audited Financial Statements, the General Fund includes fund balances of the Special Reserve for Other than Capital Outlay (parcel taxes) and Postemployment Benefits Funds. Building and Capital Facilities Funds are used to complete approved capital projects at the school sites. Decreases in these funds reflect the District's current facilities construction programs. Increases in the Deferred Maintenance and Special Reserve for Capital Outlay Funds reflect one-time resources directed to future facilities programs and maintenance. The District also maintains a CalPERS CERBT irrevocable trust to pre-fund employee retiree benefits with an ending balance of \$1,362,078.

Capital Assets

At the end of the fiscal year 2014-15, the District had invested \$ 137,623,061 in land, buildings, furniture and equipment, and vehicles.

Table 5 shows June 30, 2015 balances compared to June 30, 2014:

Table 5 - Summary of Capital Assets, Net of Depreciation

	2015	2014	Change	Percentage Change
Land	\$ 189,638	\$ 189,638	\$ 0	0%
Construction in Progress	3,079,259	738,448	2,340,811	317%
Site Improvements	685,876	591,349	94,527	16%
Buildings and Improvements	111,274,871	113,859,347	(2,584,476)	(2)%
Equipment	309,855	343,038	(33,183)	(10)%
Total Capital Assets - Net	<u>\$ 115,539,499</u>	<u>\$ 115,721,820</u>	<u>\$ (182,321)</u>	<u>(0.2)%</u>

**MENLO PARK CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Long Term Debt

Table 6 reports the balance and changes of long-term liabilities during the fiscal year 2014-15:

Table 6 - Summary of Long-Term Liabilities

	2015	2014	Change	Percentage Change
General obligation bonds	\$138,556,260	\$132,560,861	\$ 5,995,399	5%
Unamortized bond premium	6,927,209	6,126,744	800,465	13%
Net OPEB obligation	-	-		
Net pension liability	32,722,000	40,458,000	(7,736,000)	(19)%
Compensated absences	200,656	286,139	(85,483)	(30)%
Total Long-term Liabilities	<u>\$178,406,125</u>	<u>\$179,431,744</u>	<u>\$(1,025,619)</u>	<u>(1)%</u>

Factors Bearing on the District's Future

The District's 2015-16 Adopted Budget included an increase in Property Tax of approximately 8.5%. Step & Column costs are budgeted. As a community-funded district, student enrollment growth is not welcomed for revenue purposes as in State-funded districts and so presents a challenge, as does the general State economy. The District maintains economic uncertainty reserves to weather economic adversity.

Contacting the District's Management

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact Menlo Park City School District Business Office, 181 Encinal Avenue, Atherton, CA 94027.

BASIC FINANCIAL STATEMENTS

MENLO PARK CITY SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2015

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 52,757,119
Receivables	972,587
Prepaid expenses	675
Non-depreciable capital assets (Note 4)	3,268,897
Depreciable capital assets, net of accumulated depreciation (Note 4)	112,270,602
Net OPEB asset (Note 9)	<u>173,530</u>
Total assets	<u>169,443,410</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions (Notes 7 and 8)	2,712,573
Deferred loss from refunding of debt (Note 5)	<u>8,166,646</u>
Total deferred outflows of resources	<u>10,879,219</u>
LIABILITIES	
Accounts payable	4,465,955
Unearned revenue	28,089
Long-term liabilities (Note 5):	
Due within one year	3,478,891
Due after one year	<u>174,927,234</u>
Total liabilities	<u>182,900,169</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions (Notes 7 and 8)	<u>8,509,000</u>
NET POSITION	
Net investment in capital assets	3,652,992
Restricted (Note 6)	12,992,787
Unrestricted	<u>(27,732,319)</u>
Total net position	<u>\$ (11,086,540)</u>

See accompanying notes to financial statements.

MENLO PARK CITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Instruction	\$ 31,007,384	\$ -	\$ 1,689,843	\$ -	\$ (29,317,541)
Instruction-related services:					
Supervision of instruction	1,976,200	-	132,945	-	(1,843,255)
Instructional library, media and technology	1,261,005	-	40,998	-	(1,220,007)
School site administration	2,454,560	-	74,415	-	(2,380,145)
Pupil services:					
Home-to-school transportation	308,203	-	-	-	(308,203)
Food services	288,659	4,274	95,866	-	(188,519)
All other pupil services	1,624,293	-	104,769	-	(1,519,524)
General administration:					
Centralized data processing	741,592	-	19,582	-	(722,010)
All other general administration	1,996,945	160	16,624	-	(1,980,161)
Plant services	2,896,210	-	100,588	-	(2,795,622)
Interest on long-term liabilities	6,593,939	-	-	-	(6,593,939)
Other outgo	<u>437,792</u>	<u>491</u>	<u>280,904</u>	<u>-</u>	<u>(156,397)</u>
Total governmental activities	<u>\$ 51,586,782</u>	<u>\$ 4,925</u>	<u>\$ 2,556,534</u>	<u>\$ -</u>	<u>(49,025,323)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					25,045,821
Taxes levied for debt service					6,487,769
Taxes levied for other specific purposes					6,546,689
Federal and state aid not restricted to specific purposes					2,358,655
Interest and investment earnings					455,514
Miscellaneous					<u>4,676,853</u>
Total general revenues					<u>45,571,301</u>
Change in net position					<u>(3,454,022)</u>
Net position, July 1, 2014					30,568,923
Cumulative effect of GASB 68 implementation					<u>(38,201,441)</u>
Net position, July 1, 2014, as restated					<u>(7,632,518)</u>
Net position, June 30, 2015					<u>\$ (11,086,540)</u>

See accompanying notes to these financial statements.

MENLO PARK CITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Deferred Maintenance Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total Governmen- tal Funds
ASSETS						
Cash and investments:						
Cash in County Treasury	\$ 14,307,657	\$ 2,840,327	\$ 26,056,859	\$ 6,602,191	\$ 2,942,959	\$ 52,749,993
Cash in revolving fund	5,000	-	-	-	-	5,000
Cash with Fiscal Agent	150	-	-	-	-	150
Investments	1,976	-	-	-	-	1,976
Receivables	871,305	3,810	44,560	9,916	42,996	972,587
Due from other funds	38,492	-	-	-	-	38,492
Prepaid expenses	675	-	-	-	-	675
	<u>15,225,255</u>	<u>2,844,137</u>	<u>26,101,419</u>	<u>6,612,107</u>	<u>2,985,955</u>	<u>53,768,873</u>
Total assets	<u>\$ 15,225,255</u>	<u>\$ 2,844,137</u>	<u>\$ 26,101,419</u>	<u>\$ 6,612,107</u>	<u>\$ 2,985,955</u>	<u>\$ 53,768,873</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 1,031,323	\$ 498,197	\$ 664,569	\$ -	\$ 259	\$ 2,194,348
Due to other funds	-	-	6,534	-	31,958	38,492
Unearned revenue	28,089	-	-	-	-	28,089
	<u>1,059,412</u>	<u>498,197</u>	<u>671,103</u>	<u>-</u>	<u>32,217</u>	<u>2,260,929</u>
Total liabilities	<u>1,059,412</u>	<u>498,197</u>	<u>671,103</u>	<u>-</u>	<u>32,217</u>	<u>2,260,929</u>
Fund balances:						
Nonspendable	5,675	-	-	-	-	5,675
Restricted	1,081,002	2,345,940	25,430,316	6,612,107	2,953,738	38,423,103
Assigned	6,319,061	-	-	-	-	6,319,061
Unassigned	6,760,105	-	-	-	-	6,760,105
	<u>14,165,843</u>	<u>2,345,940</u>	<u>25,430,316</u>	<u>6,612,107</u>	<u>2,953,738</u>	<u>51,507,944</u>
Total fund balances	<u>14,165,843</u>	<u>2,345,940</u>	<u>25,430,316</u>	<u>6,612,107</u>	<u>2,953,738</u>	<u>51,507,944</u>
Total liabilities and fund balances	<u>\$ 15,225,255</u>	<u>\$ 2,844,137</u>	<u>\$ 26,101,419</u>	<u>\$ 6,612,107</u>	<u>\$ 2,985,955</u>	<u>\$ 53,768,873</u>

See accompanying notes to financial statements.

MENLO PARK CITY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2015

Total fund balances - Governmental Funds		\$ 51,507,944
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$137,623,061 and the accumulated depreciation is \$22,083,562 (Note 4).		115,539,499
Losses on refundings of debt are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding debt.		8,166,646
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at June 30, 2015 consisted of (Note 5):		
General Obligation Bonds	\$ (131,153,954)	
Accreted interest on General Obligation Bonds	(7,402,306)	
Unamortized bond premiums	(6,927,209)	
Net pension liability (Notes 7 and 8)	(32,722,000)	
Compensated absences	<u>(200,656)</u>	
		(178,406,125)
Other postemployment benefits assets are recognized in the government-wide statements but are not recognized in the governmental funds (Note 9).		173,530
In government funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported (Notes 7 and 8).		
Deferred outflows of resources relating to pensions	\$ 2,712,573	
Deferred inflows of resources relating to pensions	<u>(8,509,000)</u>	
		(5,796,427)
In governmental funds, interest on long-term liabilities is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred.		<u>(2,271,607)</u>
Total net position - governmental activities		<u>\$ (11,086,540)</u>

See accompanying notes to financial statements.

MENLO PARK CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	General Fund	Deferred Maintenance Fund	Building Fund	Bond Interest and Redemption Funds	All Non-Major Funds	Total Govern- mental Funds
Revenues:						
Local control funding formula (LCFF):						
State apportionment	\$ 1,696,740	\$ 930,120	\$ -	\$ -	\$ -	\$ 2,626,860
Local sources	<u>24,115,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,115,700</u>
Total LCFF	<u>25,812,440</u>	<u>930,120</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,742,560</u>
Federal sources	628,699	-	-	-	104,013	732,712
Other state sources	2,087,148	-	-	18,022	5,968	2,111,138
Other local sources	<u>11,364,599</u>	<u>16,187</u>	<u>276,254</u>	<u>6,495,657</u>	<u>415,797</u>	<u>18,568,494</u>
Total revenues	<u>39,892,886</u>	<u>946,307</u>	<u>276,254</u>	<u>6,513,679</u>	<u>525,778</u>	<u>48,154,904</u>
Expenditures:						
Current:						
Certificated salaries	22,522,673	-	-	-	-	22,522,673
Classified salaries	5,458,219	-	98,765	-	-	5,556,984
Employee benefits	7,411,763	-	23,951	-	-	7,435,714
Books and supplies	2,415,443	4,182	328	-	137,583	2,557,536
Contract services and operating expenditures	3,247,487	34,211	-	-	12,960	3,294,658
Other outgo	435,842	-	3,574,537	-	-	4,010,379
Capital outlay	24,124	514,807	2,024,007	-	-	2,562,938
Debt service:						
Principal retirement	-	-	-	2,171,124	-	2,171,124
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,255,260</u>	<u>-</u>	<u>3,255,260</u>
Total expenditures	<u>41,515,551</u>	<u>553,200</u>	<u>5,721,588</u>	<u>5,426,384</u>	<u>150,543</u>	<u>53,367,266</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(1,622,665)</u>	<u>393,107</u>	<u>(5,445,334)</u>	<u>1,087,295</u>	<u>375,235</u>	<u>(5,212,362)</u>
Other financing sources (uses):						
Transfers in	18,722	-	139,855	-	685,000	843,577
Transfers out	(685,000)	-	-	-	(158,577)	(843,577)
Proceeds from the issuance of long-term liabilities	-	-	39,010,000	-	-	39,010,000
Debt issuance premiums	-	-	1,053,020	-	-	1,053,020
Payment to refunding escrow	<u>-</u>	<u>-</u>	<u>(36,488,483)</u>	<u>-</u>	<u>-</u>	<u>(36,488,483)</u>
Total other financing sources (uses)	<u>(666,278)</u>	<u>-</u>	<u>3,714,392</u>	<u>-</u>	<u>526,423</u>	<u>3,574,537</u>
Net change in fund balances	(2,288,943)	393,107	(1,730,942)	1,087,295	901,658	(1,637,825)
Fund balances, July 1, 2014	<u>16,454,786</u>	<u>1,952,833</u>	<u>27,161,258</u>	<u>5,524,812</u>	<u>2,052,080</u>	<u>53,145,769</u>
Fund balances, June 30, 2015	<u>\$ 14,165,843</u>	<u>\$ 2,345,940</u>	<u>\$ 25,430,316</u>	<u>\$ 6,612,107</u>	<u>\$ 2,953,738</u>	<u>\$ 51,507,944</u>

See accompanying notes to financial statements.

MENLO PARK CITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

Net change in fund balances - Total Governmental Funds	\$ (1,637,825)
Amounts reported for governmental activities in the statement of activities are different because:	
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	2,531,585
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(2,691,906)
In governmental funds, deferred outflows of resources are not recognized. In the government-wide statements, deferred outflows of resources are amortized over the shortened life of the refunded or refunding debt.	6,027,288
Issuance of long-term liabilities is an other financing source in the governmental funds, but increases the long-term liabilities in the statement of net position (Note 5).	(39,010,000)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5).	2,171,124
Payments made to the refunding escrow is an other financing use in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5).	22,538,669
Accreted interest on general obligation bonds is not accrued in governmental funds, but is recognized over the life of the debt in government-wide financial statements (Note 5).	8,304,808
In governmental funds, premiums associated with the issuance of debt are recognized as other financing sources in the period it is incurred. In the government-wide statements, the premiums are amortized over the life of the related debt (Note 5).	(800,465)
In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 5).	85,483
Unmatured interest is not recognized until it is due and is not accrued as a payable in governmental funds.	(804,069)

(Continued)

MENLO PARK CITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS -
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was (Notes 7 and 8):	\$ (316,986)
In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the Statement of Activities, only there resulting gain or loss is reported.	(22,000)
In the statement of activities, expenses related to other postemployment benefits are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 9).	<u>170,272</u>
Change in net position of governmental activities	<u><u>\$ (3,454,022)</u></u>

See accompanying notes to financial statements.

MENLO PARK CITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
TRUST AND AGENCY FUNDS
June 30, 2015

	Trust Fund	Agency Fund
	OPEB Irrevocable Trust Fund	Student Body Funds
ASSETS		
Cash and Investments (Note 2):		
Cash on hand and in bank	\$ -	\$ 27,518
Held in Trust	1,362,078	-
Total assets	1,362,078	27,518
LIABILITIES		
Due to student groups	-	27,518
NET POSITION		
Net position held in trust for other postemployment benefits	\$ 1,362,078	\$ -

See accompanying notes to financial statements.

MENLO PARK CITY SCHOOL DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2015

	OPEB Irrevocable Trust Fund
Additions:	
Employer contributions	<u>\$ 303,492</u>
Deductions:	
Investment expenses	<u>5,274</u>
Net increase in net position	298,218
Net position, July 1, 2014	<u>1,063,860</u>
Net position, June 30, 2015	<u><u>\$ 1,362,078</u></u>

See accompanying notes to financial statements.

MENLO PARK CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities.

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

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

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

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

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

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

(Continued)

MENLO PARK CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A - Major Funds

General Fund:

The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. For financial reporting purposes, the current year activity and year end balances of the Special Reserve for Other than Capital Outlay and Special Reserve for Postemployment Benefits (OPEB) Funds are combined with the General Fund.

Deferred Maintenance Fund:

The Deferred Maintenance Fund is a special revenue fund used to account separately for state apportionments and the District's contributions for deferred maintenance purposes.

Building Fund:

The Building Fund is used to account for resources used for the acquisition of capital facilities by the District.

Bond Interest and Redemption Fund:

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

B - Other Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. This includes the Cafeteria Fund.

Capital Projects Funds are used to account for resources used for the acquisition of capital facilities by the District. This includes the Capital Facilities, County School Facilities and Special Reserve for Capital Outlay Funds.

The OPEB Irrevocable Trust Fund is a Fiduciary Fund for which the District acts as an agent, and is used to prefund Other Post Employment Benefits through CalPERS. The Student Body Fund is a Fiduciary Fund for which the District acts as an agent. All cash activity and assets of the various student bodies of the District are accounted for in the Student Body Funds.

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

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

(Continued)

MENLO PARK CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Receivables: Receivables are made up principally of amounts due from the State of California and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2015.

Capital Assets: Capital assets purchased or acquired, with an original cost of \$5,000 or more, are recorded at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are depreciated using the straight-line method over 5 - 30 years depending on asset types.

Deferred Outflows/Inflows of Resources: In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District has recognized a deferred loss on refunding reported which is in the Statement of Net Position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. Amortization for the year ended June 30, 2015, net of deferred losses incurred for the current year, totaled \$6,027,288. Additionally, the District has recognized a deferred outflow of resources related to the recognition of the pension liability reported in the Statement of Net Position.

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

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

(Continued)

MENLO PARK CITY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following is a summary of pension amounts in aggregate as of June 30, 2015:

	<u>STRP</u>	<u>PERF B</u>	<u>Total</u>
Deferred outflows of resources	\$ 1,999,983	\$ 712,590	\$ 2,712,573
Deferred inflows of resources	\$ 6,916,000	\$ 1,593,000	\$ 8,509,000
Net pension liability	\$ 28,085,000	\$ 4,637,000	\$ 32,722,000
Pension expense	\$ 2,836,986	\$ 457,573	\$ 3,294,559

Compensated Absences: Compensated absences in the amount of \$200,656 is recorded as a liability of the District. The liability is for earned but unused benefits.

Accumulated Sick Leave: Sick leave benefits are not recorded as liabilities on the books of the District. The District's policy is to record amounts as operating expenditures in the period sick leave is taken since such benefits do not vest nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits for all STRS and CalPERS employees, when the employee retires.

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

Net Position: Net position is displayed in three components:

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

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

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

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

(Continued)

MENLO PARK CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A - Nonspendable Fund Balance:

The nonspendable fund balance classification reflects amounts that are not in spendable form, such as revolving fund cash.

B - Restricted Fund Balance:

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

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance. At June 30, 2015, the District had no committed fund balances.

D - Assigned Fund Balance:

The assigned fund balance classification reflects amounts that the District's Board of Education has approved to be used for specific purposes, based on the District's intent related to those specific purposes. The Board of Education can designate personnel with the authority to assign fund balances.

E - Unassigned Fund Balance:

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

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

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

While GASB Cod. Sec. 1300 and 1800 do not require Districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. The District has established a minimum fund balance policy requiring a Reserve for Economic Uncertainty of no less than 10% of General Fund total expenditures, outgo and other financing uses. At June 30, 2015, the District was in compliance with this policy. At June 30, 2015, the District was in compliance with this policy, and has not established any stabilization arrangement.

(Continued)

MENLO PARK CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

New Accounting Pronouncements: In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and GASB Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). This Statement is effective for the District's fiscal year ending June 30, 2015. Based on the implementation of GASB Statement No. 68, the District's July 1, 2014 net position was restated by \$38,201,441 because of the recognition of the beginning of year net pension liability and deferred outflow of resources.

In November 2013, the GASB issued GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The objective of this Statement is to address an issue regarding application of the transition provisions of GASB Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. GASB Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB Statement No. 68 and are effective for the District's fiscal year ending June 30, 2015. Based on the implementation of GASB Statement No. 71, the District established a deferred outflow category to report the payments made subsequent to the measurement date of the pensions as well as deferred inflow category to report the net differences between projected and actual earnings on investments of the pensions in the Statement of Net Position.

(Continued)

MENLO PARK CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In February 2015, the GASB issued GASB Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 71 is the final standard on accounting and financial reporting issues related to fair value measurements, applicable primarily to investments made by state and local governments. This Statement defines fair value, how fair value should be measured, what assets and liabilities should be measured at fair value, and what information about fair value should be disclosed in the notes to the financial statements. Under GASB Statement No. 72, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. Before the issuance of GASB Statement No. 72, state and local governments have been required to disclose how they arrived at their measures of fair value if not based on quoted market prices. Under the new guidance, those disclosures have been expanded to categorize fair values according to their relative reliability and to describe positions held in many alternative investments. This statement is effective for the District's fiscal year ending June 30, 2016. Management has not determined what impact this GASB statement will have on its financial statements.

In June 2015, the GASB issued GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68, which completes the suite of pension standards. GASB Statement No. 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (in other words, those not covered by GASB Statements No. 67 and No. 68). The requirements in GASB Statement No. 73 for reporting pensions generally are the same as in GASB Statement No. 68. However, the lack of a pension plan that is administered through a trust that meets specified criteria is reflected in the measurements. The provisions in GASB Statement No. 73 are effective for fiscal years beginning after June 15, 2015, except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. Management has not determined what impact this GASB statement will have on its financial statements.

In June 2015, the GASB issued GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which replaces GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. GASB Statement No. 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in GASB Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. GASB Statement No. 74 also sets forth note disclosure requirements for defined contribution OPEB plans. This statement is effective for the District's fiscal year ending June 30, 2017. Management has not determined what impact this GASB statement will have on its financial statements.

(Continued)

MENLO PARK CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2015, the GASB issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. GASB Statement No. 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability, which is the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments. Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan. Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. GASB Statement No. 75 carries forward from GASB Statement No. 45 the option to use a specified alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through OPEB plans in which there are fewer than 100 plan members (active and inactive). This option was retained in order to reduce costs for smaller governments. GASB Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. Some governments are legally responsible to make contributions directly to an OPEB plan or make benefit payments directly as OPEB comes due for employees of other governments. In certain circumstances (called special funding situations) GASB Statement No. 75 requires these governments to recognize in their financial statements a share of the other government's net OPEB liability. This statement is effective for the District's fiscal year ending June 30, 2018. Earlier application is encouraged. Management has not determined what impact this GASB statement will have on its financial statements, however it is expected to be significant.

In June 2015, the GASB issued GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the AICPA that is cleared by the GASB. The Statement also addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. These changes are intended to improve financial reporting for governments by establishing a framework for the evaluation of accounting guidance that will result in governments applying that guidance with less variation. That will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. The Statement also is intended to improve implementation guidance by elevating its authoritative status to a level that requires it be exposed for a period of broad public comment prior to issuance, as is done for other GASB pronouncements. In connection with GASB Statement No. 76, the GASB also recently cleared Implementation Guide No. 2015-1, which incorporates changes resulting from feedback received during the public exposure of all of implementation guidance previously issued. This statement is effective for the District's fiscal year ending June 30, 2016. Management has not determined what impact this GASB statement will have on its financial statements.

(Continued)

MENLO PARK CITY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 2 - CASH AND INVESTMENTS

Cash and investments at June 30, 2015 consisted of the following:

	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Pooled Funds:		
Cash in County Treasury	\$ 52,749,993	\$ -
Deposits:		
Cash on hand and in banks	-	27,518
Cash in revolving fund	5,000	-
Investments:		
Cash in Local Agency Investment Fund	1,976	-
Cash with Fiscal Agent	150	-
Held in Trust	-	1,362,078
	<u> </u>	<u> </u>
Total	<u>\$ 52,757,119</u>	<u>\$ 1,389,596</u>

Pooled Funds: In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the San Mateo County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited monthly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the San Mateo County Treasurer may invest in derivative securities. However, at June 30, 2015, the San Mateo County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Deposits - Custodial Credit Risk: The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2015, the carrying amount and the bank balance of the District's accounts was \$32,518, all of which was insured by the FDIC.

(Continued)

MENLO PARK CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 - CASH AND INVESTMENTS

Investments:

Local Agency Investment Fund (LAIF):

Menlo Park City School District places certain funds with the State of California's Local Agency Investment Fund (LAIF). The District is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of the District's investment in the pool is reported in the accompanying financial statements based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The monies held in the pooled investments funds are not subject to categorization by risk category. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds are accessible and transferable to the master account within twenty-four hours' notice. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises and corporations. LAIF is administered by the State Treasurer. LAIF investments are audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall; Sacramento, California 95814. The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity and yield are not jeopardized.

Cash with Fiscal Agent: Cash with Fiscal Agent in the General Fund represents amounts held by a third party in the District's name.

Held in Trust: The District has entered into an agreement with California Employers' Retiree Benefit Trust Program (CERBT) to prefund its other postemployment benefits through the California Public Employees' Retirement System (CalPERS). CERBT pools the funds from the District with funds from other districts and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited monthly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is available.

Interest Rate Risk: The District's investment policy limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2015, the District had no significant interest rate risk related to cash and investments held.

Credit Risk: The District's investment policy limits its investment choices to those within the limitations of state law.

Concentration of Credit Risk: The District does not place limits on the amount it may invest in any one issuer. At June 30, 2015, the District had no concentration of credit risk.

(Continued)

MENLO PARK CITY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 3 - INTERFUND TRANSACTIONS

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

Interfund Receivables/Payables: Interfund receivable and payable balances at June 30, 2015 were as follows:

Fund	Interfund Receivables	Interfund Payables
Major Funds:		
General	\$ 38,492	\$ -
Building	-	6,534
Non-Major Fund:		
Cafeteria	-	18,722
Capital Facilities	-	13,236
Totals	\$ 38,492	\$ 38,492

Interfund Transfers: Interfund transfers consist of transfers from funds receiving revenue to funds through which the resources are to be expended.

Interfund transfers for the 2014-2015 fiscal year were as follows:

Transfer from the General Fund to the Special Reserve for Capital Outlay Fund to move excess Restricted Routine Maintenance funds from prior years.	\$ 685,000
Transfer from the Cafeteria Fund to the General Fund to transfer operational costs.	14,113
Transfer from the Cafeteria Fund to the General Fund for indirect cost support.	4,609
Transfer from the County School Facilities Fund to the Building Fund in support of Measure W Bond projects.	139,855
	\$ 843,577

(Continued)

MENLO PARK CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 4 - CAPITAL ASSETS

A schedule of changes in capital asset for the year ended June 30, 2015, is shown below:

	Balance July 1, <u>2014</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2015</u>
Non-depreciable:				
Land	\$ 189,638	\$ -	\$ -	\$ 189,638
Work-in-process	738,448	2,340,811	-	3,079,259
Depreciable:				
Improvement of sites	2,313,423	166,649	-	2,480,072
Buildings	131,377,426	-	-	131,377,426
Equipment	<u>538,359</u>	<u>24,125</u>	<u>65,818</u>	<u>496,666</u>
Totals, at cost	<u>135,157,294</u>	<u>2,531,585</u>	<u>65,818</u>	<u>137,623,061</u>
Less accumulated depreciation:				
Improvement of sites	(1,722,074)	(72,122)	-	(1,794,196)
Buildings	(17,518,079)	(2,584,476)	-	(20,102,555)
Equipment	<u>(195,321)</u>	<u>(35,308)</u>	<u>43,818</u>	<u>(186,811)</u>
Total accumulated depreciation	<u>(19,435,474)</u>	<u>(2,691,906)</u>	<u>43,818</u>	<u>(22,083,562)</u>
Capital assets, net	<u>\$115,721,820</u>	<u>\$ (160,321)</u>	<u>\$ 22,000</u>	<u>\$115,539,499</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 2,282,131
Food services	165,851
General administration	237,349
Plant services	<u>6,575</u>
Total depreciation expense	<u>\$ 2,691,906</u>

NOTE 5 - LONG-TERM LIABILITIES

General Obligation Bonds: In November 2005, the District issued 2005 General Obligation Refunding Bonds totaling \$13,915,000. The proceeds of the Bonds were used to advance refund the District's Series B 1998 General Obligation Bonds. The 2005 General Obligation Refunding Bonds bear interest at rates ranging from 3.0% to 4.3%, and mature through July 1, 2023.

In July 2008, the District issued Election of 2006, Series 2008 General Obligation Bonds totaling \$33,264,728. The Bonds comprise of \$9,000,000 in Current Interest Bonds, and \$24,264,728 in Capital Appreciation Bonds. The Current Interest Bonds bear interest at 5.0% and mature through July 1, 2039. The Capital Appreciation Bonds bear interest at rates ranging from 4.15% to 8.00%, and mature through July 1, 2043.

In March 2010, the District issued Election of 2006, Series 2010 General Obligation Bonds totaling \$22,835,271. The Bonds bear interest at rates ranging from 1.10% to 6.37%, and mature through July 1, 2044.

(Continued)

MENLO PARK CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 - LONG-TERM LIABILITIES (Continued)

In July 2012, the District issued 2012 General Obligation Refunding Bonds totaling \$31,395,000, for the purpose of refunding the outstanding balance of both the District's 2004 General Obligation Refunding Bonds and the Election of 2006, Series 2007 General Obligation Bonds. The Bonds bear interest at rates ranging from 2.00% to 5.00%, and mature through July 1, 2031.

In March 2014, the District issued Election of 2013, Series 2014 General Obligation Bonds totaling \$23,000,000. The Bonds bear interest at rates ranging from 2.0% to 5.0% and mature through January 1, 2039. The proceeds of the Bonds are being used to renovate and expand educational facilities.

In August 2014, the District issued 2014 General Obligation Refunding Bonds totaling \$39,010,000. The Bonds were comprised two issuances, which include the 2015 Crossover Refunding Bonds of \$8,295,000, the proceeds of which are being used to advance refund the outstanding balance of the Election of 2006, Series 2008 Current Interest Bonds, and 2018 Crossover Refunding Bonds of \$30,715,000, the proceeds of which are being used to refund a portion of the outstanding balance of the Election of 2006, Series 2008 Capital Appreciation Bonds. The 2014 General Obligation Refunding Bonds bear interest at rates ranging from 3.0% to 4.0% and mature through July 1, 2043. As of June 30, 2015, \$8,185,000 of the refunded Series 2008 Current Interest Bonds were still outstanding and scheduled to be paid on July 1, 2015. As of June 30, 2015, \$15,629,735 of the refunded Series 2008 Capital Appreciation Bonds (excluding compounded interest) were still outstanding and scheduled to be paid on July 1, 2018.

Although the refunding bonds resulted in the recognition of an accounting loss of \$6,526,729, for the year ended June 30, 2015, the District in effect reduced its aggregate debt service payments by \$7.84 million over the next 28 years and obtained an economic gain of \$4.42 million.

Calculation of the difference in cash flow requirements and economic gain are as follows:

Old debt service cash flows	\$ 64,140,000
New debt service cash flows	<u>56,301,950</u>
 Cash flow difference	 <u><u>\$ 7,838,050</u></u>
 Present value of old debt service cash flows	 \$ 32,665,597
Present value of new debt service cash flows	<u>28,240,619</u>
 Economic gain	 <u><u>\$ 4,424,978</u></u>

Series	Original Issuance	Balance July 1, 2014	Issued Current Year	Redeemed Current Year	Balance June 30, 2015
2005 Refunding	\$ 13,915,000	\$ 8,965,000	\$ -	\$ 745,000	\$ 8,220,000
2008	33,264,728	31,714,321	-	22,936,248	8,778,073
2010	22,835,272	22,664,426	-	188,545	22,475,881
2012 Refunding	31,395,000	30,510,000	-	840,000	29,670,000
2014	23,000,000	23,000,000	-	-	23,000,000
2014 Refunding	<u>39,010,000</u>	<u>-</u>	<u>39,010,000</u>	<u>-</u>	<u>39,010,000</u>
Total	<u><u>\$ 163,420,000</u></u>	<u><u>\$ 116,853,747</u></u>	<u><u>\$ 39,010,000</u></u>	<u><u>\$ 24,709,793</u></u>	<u><u>\$ 131,153,954</u></u>

(Continued)

MENLO PARK CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 - LONG-TERM LIABILITIES (Continued)

The General Obligation Bonds are scheduled to mature as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 3,318,346	\$ 4,920,328	\$ 8,238,674
2017	2,788,331	4,858,943	7,647,274
2018	3,119,352	4,805,897	7,925,249
2019	3,358,388	4,833,712	8,192,100
2020	2,906,272	4,870,902	7,777,174
2021-2025	16,026,780	25,295,649	41,322,429
2026-2030	19,425,440	28,077,948	47,503,388
2031-2035	18,220,915	43,216,834	61,437,749
2036-2040	30,161,614	56,101,758	86,263,372
2041-2045	<u>31,828,516</u>	<u>57,598,685</u>	<u>89,427,201</u>
	<u>\$ 131,153,954</u>	<u>\$ 234,580,656</u>	<u>\$ 365,734,610</u>

Schedule of Changes in Long-Term Liabilities: A schedule of changes in long-term liabilities for the year ended June 30, 2015, is shown below:

	Balance July 1, 2014, as Restated	Additions	Deductions	Balance June 30, 2015	Amounts Due Within One Year
General Obligation Bonds	\$ 116,853,747	\$ 39,010,000	\$ 24,709,793	\$ 131,153,954	\$ 3,318,346
Accreted interest	15,707,114	2,546,491	10,851,299	7,402,306	160,545
Unamortized bond premiums	6,126,744	1,053,020	252,555	6,927,209	-
Net pension liability (Note 7 and 8)	40,458,000	-	7,736,000	32,722,000	-
Compensated absences	<u>286,139</u>	<u>-</u>	<u>85,483</u>	<u>200,656</u>	<u>-</u>
	<u>\$ 179,431,744</u>	<u>\$ 42,609,511</u>	<u>\$ 43,635,130</u>	<u>\$ 178,406,125</u>	<u>\$ 3,478,891</u>

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments for compensated absences and the net pension liability are made from the respective fund from which the employee was paid.

NOTE 6 - NET POSITION / FUND BALANCES

The restricted net position as of June 30, 2015 consisted of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>
Restricted for Unspent categorical program revenues	\$ 1,081,002	\$ -
Restricted for Special revenue programs	2,404,380	-
Restricted for Capital projects	2,895,298	-
Restricted for Debt repayment	6,612,107	-
Restricted for OPEB payments	<u>-</u>	<u>1,362,078</u>
	<u>\$ 12,992,787</u>	<u>\$ 1,362,078</u>

(Continued)

MENLO PARK CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 6 - NET POSITION / FUND BALANCES (Continued)

Fund balances, by category, at June 30, 2015 consisted of the following:

	General Fund	Deferred Maintenance Fund	Building Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total
Nonspendable:						
Revolving cash fund	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ 5,000
Prepaid expenditures	<u>675</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>675</u>
Subtotal nonspendable	<u>5,675</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,675</u>
Restricted:						
Unspent categorical revenues	1,081,002	-	-	-	-	1,081,002
Food service operations	-	-	-	-	58,440	58,440
Deferred maintenance	-	2,345,940	-	-	-	2,345,940
Capital projects	-	-	25,430,316	-	2,895,298	28,325,614
Debt service	-	-	-	6,612,107	-	6,612,107
Subtotal restricted	<u>1,081,002</u>	<u>2,345,940</u>	<u>25,430,316</u>	<u>6,612,107</u>	<u>2,953,738</u>	<u>38,423,103</u>
Assigned:						
Property Tax reassessments	480,000	-	-	-	-	480,000
Measures A, B and C Parcel Tax	4,978,929	-	-	-	-	4,978,929
Postemployment benefits	61	-	-	-	-	61
Instructional materials	489,345	-	-	-	-	489,345
Technology reserves	41,239	-	-	-	-	41,239
Foundation and site grants	<u>329,487</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>329,487</u>
Subtotal assigned	<u>6,319,061</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,319,061</u>
Unassigned:						
Designated for economic uncertainty	<u>6,760,105</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,760,105</u>
Total fund balances	<u>\$ 14,165,843</u>	<u>\$ 2,345,940</u>	<u>\$ 25,430,316</u>	<u>\$ 6,612,107</u>	<u>\$ 2,953,738</u>	<u>\$ 51,507,944</u>

(Continued)

MENLO PARK CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN

General Information about the State Teachers' Retirement Plan

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

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

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

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

CalSTRS 2% at 60

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

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

CalSTRS 2% at 62

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

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

(Continued)

MENLO PARK CITY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

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

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

Members - Under CalSTRS 2% at 60, the member contribution rate was 8.15 percent of applicable member earnings for fiscal year 2014-15. Under CalSTRS 2% at 62, members contribute 50 percent of the normal cost of their retirement plan, which resulted in a contribution rate of 8.15 percent of applicable member earnings for fiscal year 2014-15.

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

Effective July 1, 2014, with the passage of AB 1469, member contributions for those under the 2% at 60 benefit structure increase from 8.0 percent to a total of 10.25 percent of applicable member earnings, phased in over the next three years. For members under the 2% at 62 benefit structure, contributions will increase from 8.0 percent to 9.205 percent of applicable member earnings, again phased in over three years, if there is no change to normal cost.

Employers – 8.88 percent of applicable member earnings.

In accordance with AB 1469, employer contributions will increase from 8.25 percent to a total of 19.1 percent of applicable member earnings phased in over seven years starting in 2014. The new legislation also gives the board limited authority to adjust employer contribution rates from July 1, 2021 through June 2046 in order to eliminate the remaining unfunded actuarial obligation related to service credited to members prior to July 1, 2014. The board cannot adjust the rate by more than 1 percent in a fiscal year, and the total contribution rate in addition to the 8.25 percent cannot exceed 12 percent.

The CalSTRS employer contribution rate increases effective for fiscal year 2014-15 through fiscal year 2045-46 are summarized in the table below:

<u>Effective Date</u>	<u>Prior Rate</u>	<u>Increase</u>	<u>Total</u>
July 01, 2014	8.25%	0.63%	8.88%
July 01, 2015	8.25%	2.48%	10.73%
July 01, 2016	8.25%	4.33%	12.58%
July 01, 2017	8.25%	6.18%	14.43%
July 01, 2018	8.25%	8.03%	16.28%
July 01, 2019	8.25%	9.88%	18.13%
July 01, 2020	8.25%	10.85%	19.10%
July 01, 2046	8.25%	Increase from prior rate ceases in 2046-47	

(Continued)

MENLO PARK CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

The District contributed \$1,999,983 to the plan for the fiscal year ended June 30, 2015.

State - 5.954 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year. This portion of the state appropriation totaled \$527 million in fiscal year 2013-14.

Additionally, beginning October 1, 1998, a statutory contribution rate of 0.524 percent, adjustable annually in 0.25 percent increments up to a maximum of 1.505 percent, of the creditable earnings from the fiscal year ending in the prior calendar year per Education Code Section 22955(b). This contribution is reduced to zero if there is no unfunded actuarial obligation and no normal cost deficit for benefits in place as of July 1, 1990. Based on the actuarial valuation, as of June 30, 2012 there was no normal cost deficit, but there was an unfunded obligation for benefits in place as of July 1, 1990. As a result, the state was required to make quarterly payments starting October 1, 2013, at an additional contribution rate of 1.024 percent. As of June 30, 2014, the state contributed \$200.7 million of the \$267.6 million total amount for fiscal year 2013-14. As a result of AB 1469, the fourth quarterly payment of \$66.9 million was included in an increased first quarter payment of \$94 million for the 2014-15 fiscal year, which was transferred on July 1, 2014.

In accordance with AB 1469, the portion of the state appropriation under Education Code Section 22955(b) that is in addition to the 2.017 percent has been replaced by section 22955.1(b) in order to fully fund the benefits in effect as of 1990 by 2046. The additional state contribution will increase from 1.437 percent in 2014-15 to 4.311 percent in 2016-17. The increased contributions end as of fiscal year 2046-2047.

The CalSTRS state contribution rates effective for fiscal year 2014-15 and beyond are summarized in the table below:

<u>Effective Date</u>	<u>Base Rate</u>	<u>AB 1469 Increase For 1990 Benefit Structure</u>	<u>SBMA Funding</u>	<u>Total State Appropriation to DB Program</u>
July 01, 2014	2.017%	1.437%	2.50%	5.954%
July 01, 2015	2.017%	2.874%	2.50%	7.391%
July 01, 2016	2.017%	4.311%	2.50%	8.828%
July 01, 2017 to June 30, 2046	2.017%	4.311%*	2.50%	8.828%*
July 01, 2046 and thereafter	2.017%	*	2.50%	4.571%*

* The new legislation also gives the board limited authority to adjust state contribution rates from July 1, 2017, through June 2046 in order to eliminate the remaining unfunded actuarial obligation associated with the 1990 benefit structure. The board cannot increase the rate by more than 0.50 percent in a fiscal year, and if there is no unfunded actuarial obligation, the contribution rate imposed to pay for the 1990 benefit structure shall be reduced to zero percent. Rates in effect prior to July 1, 2014, are reinstated if necessary to address any remaining 1990 unfunded actuarial obligation from July 1, 2046, and thereafter.

(Continued)

MENLO PARK CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

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

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 28,085,000
State's proportionate share of the net pension liability associated with the District	<u>16,959,000</u>
Total	<u>\$ 45,044,000</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating school Districts and the State. At June 30, 2014, the District's proportion was 0.048 percent, which was an increase of zero from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$2,836,986 and revenue of \$1,134,949 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	6,916,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
Contributions made subsequent to measurement date	<u>1,999,983</u>	<u>-</u>
Total	<u>\$ 1,999,983</u>	<u>\$ 6,916,000</u>

(Continued)

MENLO PARK CITY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

\$1,999,983 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	
2016	\$ 1,729,000
2017	\$ 1,729,000
2018	\$ 1,729,000
2019	\$ 1,729,000

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is 7 years as of June 30, 2014. The STRP net pension liability as of June 30, 2013 and the STRP net pension liability as of June 30, 2014 are based on the June 30, 2013 actuarial valuation for the first year of implementation. As a result there are no differences between expected and actual experience or changes in assumptions subject to amortization. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions: The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.60%
Consumer Price Inflation	3.00%
Wage Growth	3.75%
Post-retirement Benefit Increases	2.00% simple for DB Not applicable for DBS/CBB

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 – June 30, 2010 experience analysis for more information.

(Continued)

MENLO PARK CITY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 7 – NET PENSION LIABILITY – STATE TEACHERS' RETIREMENT PLAN (Continued)

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. Based on the model from CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that annual returns are log normally distributed and independent from year to year to develop expected percentiles for the long-term distribution of annualized returns. The assumed asset allocation by PCA is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	4.50%
Private Equity	12	6.20
Real Estate	15	4.35
Inflation Sensitive	5	3.20
Fixed Income	20	0.20
Cash / Liquidity	1	0.00

* 10-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability	<u>\$ 43,777,000</u>	<u>\$ 28,085,000</u>	<u>\$ 15,000,000</u>

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

(Continued)

MENLO PARK CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B

General Information about the Public Employer’s Retirement Fund B

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

The Plan was established to provide retirement, death and disability benefits to non-teaching and noncertified employees in schools. The benefit provisions for Plan employees are established by statute. CalPERS issues a publicly available financial report that can be obtained by going to the following website address: <https://www.calpers.ca.gov/docs/forms-publications/cafr-2014.pdf>.

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

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

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

Required contribution rates for active plan members and employers as a percentage of payroll for the year ended June 30, 2015 were as follows:

Members - The member contribution rate was 6.0 or 7.0 percent of applicable member earnings for fiscal year 2014-15.

Employers - The employer contribution rate was 11.771 percent of applicable member earnings.

The District contributed \$574,590 to the plan for the fiscal year ended June 30, 2015.

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

At June 30, 2015, the District reported a liability of \$4,637,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating school Districts. At June 30, 2014, the District’s proportion was 0.041 percent, which was an increase of 0.001 from its proportion measured as of June 30, 2013.

(Continued)

MENLO PARK CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

For the year ended June 30, 2015, the District recognized pension expense of \$457,573. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net differences between projected and actual earnings on investments	-	1,593,000
Changes in proportion and differences between District contributions and proportionate share of contributions	138,000	-
Contributions made subsequent to measurement date	<u>574,590</u>	<u>-</u>
Total	<u>\$ 712,590</u>	<u>\$ 1,593,000</u>

\$712,590 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended <u>June 30,</u>		
2016	\$	352,250
2017	\$	352,250
2018	\$	352,250
2019	\$	398,250

Differences between expected and actual experience, changes in assumptions, and changes in proportion are amortized over a closed period equal to the average remaining service life of plan members, which is 4 years as of June 30, 2013. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed 5-year period.

Actuarial Methods and Assumptions: The total pension liability for the Plan was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2013
Experience Study	July 1, 2006, through June 30, 2010
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.50%
Consumer Price Inflation	2.75%
Wage Growth	Varies by entry age and service
Post-retirement Benefit Increases	Contract COLA up to 2.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% thereafter

(Continued)

MENLO PARK CITY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found at CalPERS’ website.

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

<u>Asset Class</u>	<u>Long-Term* Assumed Asset Allocation</u>	<u>Expected Real Rate of Return</u>
Global Equity	47%	5.25%
Global Fixed Income	19	0.99
Inflation Sensitive	6	0.45
Private Equity	12	6.83
Real Estate	11	4.50
Infrastructure & Forestland	3	4.50
Liquidity	2	(0.55)

* 10-year geometric average

Discount Rate: The discount rate used to measure the total pension liability was 7.50 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Plan. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained at CalPERS’ website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in the actuarial valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. This difference was deemed immaterial to the Plan and the District.

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

(Continued)

MENLO PARK CITY SCHOOL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 8 – NET PENSION LIABILITY – PUBLIC EMPLOYER’S RETIREMENT FUND B (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected cash flows of the Plan. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the Plan’s asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease <u>(6.50%)</u>	Current Discount <u>Rate (7.50%)</u>	1% Increase <u>(8.50%)</u>
District’s proportionate share of the net pension liability	<u>\$ 8,111,000</u>	<u>\$ 4,637,000</u>	<u>\$ 1,690,000</u>

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

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits discussed in Notes 7 and 8, the Board of Education has adopted a retirement benefit program. The District has agreed to pay health care benefits, including medical, dental and vision benefits to certain eligible employees based on age and length of service. Certificated and classified employees are eligible to receive a maximum of twelve years and five years, respectively.

The District has entered into an agreement with California Employers’ Retiree Benefit Trust Program (CERBT) to prefund its other postemployment benefits through the California Public Employees’ Retirement System (CalPERS).

(Continued)

MENLO PARK CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Cod. Sec. P50.108-.109. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 582,942
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>47</u>
Annual OPEB cost (expense)	<u>582,989</u>
Benefit payments made	(449,769)
Discretionary contributions made	<u>(303,492)</u>
Total payments	<u>(753,261)</u>
Decrease in net OPEB obligation	(170,272)
Net OPEB asset - beginning of year	<u>(3,258)</u>
Net OPEB asset - end of year	<u><u>\$ (173,530)</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2015 and preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2013	\$ 701,662	60.8%	\$ 820,164
June 30, 2014	\$ 612,111	234.5%	\$ (3,258)
June 30, 2015	\$ 582,989	129.2%	\$ (173,530)

As of June 30, 2013, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and unfunded actuarial accrued liability (UAAL) were \$6,494,004. The covered payroll (annual payroll of active employees covered by the Plan) was \$24,597,966, and the ratio of the UAAL to the covered payroll was 26.4 percent. The OPEB plan is currently operating as a single-employer pay-as-you-go plan, with additional District contributions made on a discretionary basis. The OPEB plan does not issue stand-alone financial statements.

(Continued)

MENLO PARK CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, shown as Required Supplementary Information, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.25 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 4.0 percent. Both rates included a 2.75 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2015 is 29 years.

NOTE 10 - JOINT POWERS AGREEMENT

The District is a member with other school districts in San Mateo County and the San Mateo County Office of Education in a Joint Powers Authority, San Mateo County Schools Insurance Group (SMCSIG), for the operation of a common risk management and insurance program. The program covers property, workers' compensation, medical, dental, liability insurance for its member districts. SMCSIG is governed by an Executive Board consisting of representatives from each member district. The Executive Board controls the operations of SMCSIG, including the selection of management and approval of operating budgets. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from the prior year.

The following is a summary of financial information for SMCSIG at June 30, 2015:

Total assets	\$ 19,584,167
Total liabilities	\$ 9,225,771
Net position	\$ 10,358,396
Total revenues	\$ 38,557,922
Total expenses	\$ 36,282,954
Change in net position	\$ 2,274,968

The relationship between the District and SMCSIG is such that SMCSIG is not a component unit of the District for financial reporting purposes.

(Continued)

MENLO PARK CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 11 - CONTINGENCIES

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

Also, the District has received state and federal funds for specific purposes that are subject to review or audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material to the financial position or results of operations of the District.

NOTE 12 - SUBSEQUENT EVENTS

On October 27, 2015, the District issued 2015 General Obligation Refunding Bonds totaling \$31,944,341. The Bonds were issued in two concurrent series, with the first series issued as Current Interest Bonds in the amount \$6,725,000, and the second series issued as Capital Appreciation Bonds in the amount of \$25,219,341. The proceeds of the Bonds were used to refund the District's 2005 General Obligation Refunding Bonds, Series 2008 General Obligation Capital Appreciation Bonds, and Series 2010 General Obligation Bonds. The 2015 Refunding Bonds bear interest at rates ranging from 2.0% to 5.0% and mature through July 1, 2042.

REQUIRED SUPPLEMENTARY INFORMATION

MENLO PARK CITY SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2015

	<u>Budget</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local control funding formula:				
State apportionment	\$ 1,749,313	\$ 1,694,829	\$ 1,696,740	\$ 1,911
Local sources	<u>24,475,466</u>	<u>24,120,139</u>	<u>24,115,700</u>	<u>(4,439)</u>
Total local control funding formula	<u>26,224,779</u>	<u>25,814,968</u>	<u>25,812,440</u>	<u>(2,528)</u>
Federal sources	599,707	651,732	628,699	(23,033)
Other state sources	532,466	952,367	2,087,148	1,134,781
Other local sources	<u>4,433,535</u>	<u>11,375,704</u>	<u>11,364,599</u>	<u>(11,105)</u>
Total revenues	<u>31,790,487</u>	<u>38,794,771</u>	<u>39,892,886</u>	<u>1,098,115</u>
Expenditures:				
Current:				
Certificated salaries	22,112,699	22,547,551	22,522,673	24,878
Classified salaries	5,220,368	5,463,212	5,458,219	4,993
Employee benefits	6,735,318	7,442,266	7,411,763	30,503
Books and supplies	1,804,235	2,542,531	2,415,443	127,088
Contract services and operating expenditures	2,643,184	3,415,896	3,247,487	168,409
Other outgo	212,442	438,492	435,842	2,650
Capital outlay	<u>-</u>	<u>24,125</u>	<u>24,124</u>	<u>1</u>
Total expenditures	<u>38,728,246</u>	<u>41,874,073</u>	<u>41,515,551</u>	<u>358,522</u>
Deficiency of revenues under expenditures	<u>(6,937,759)</u>	<u>(3,079,302)</u>	<u>(1,622,665)</u>	<u>1,456,637</u>
Other financing sources (uses):				
Transfers in	-	19,569	18,722	(847)
Transfers out	<u>-</u>	<u>-</u>	<u>(685,000)</u>	<u>(685,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>19,569</u>	<u>(666,278)</u>	<u>(685,847)</u>
Net change in fund balance	(6,937,759)	(3,059,733)	(2,288,943)	770,790
Fund balance, July 1, 2014	<u>16,454,786</u>	<u>16,454,786</u>	<u>16,454,786</u>	<u>-</u>
Fund balance, June 30, 2015	<u>\$ 9,517,027</u>	<u>\$ 13,395,053</u>	<u>\$ 14,165,843</u>	<u>\$ 770,790</u>

Refer to Note to Required Supplementary Information.

MENLO PARK CITY SCHOOL DISTRICT
DEFERRED MAINTENANCE FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2015

	<u>Budget</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local control funding formula:				
State apportionment	\$ -	\$ 930,120	\$ 930,120	\$ -
Other local sources	<u>5,000</u>	<u>16,344</u>	<u>16,187</u>	<u>(157)</u>
Total revenues	<u>5,000</u>	<u>946,464</u>	<u>946,307</u>	<u>(157)</u>
Expenditures:				
Current:				
Books and supplies	-	5,000	4,182	818
Contract services and operating expenditures	84,500	45,000	34,211	10,789
Capital outlay	<u>-</u>	<u>516,250</u>	<u>514,807</u>	<u>1,443</u>
Total expenditures	<u>84,500</u>	<u>566,250</u>	<u>553,200</u>	<u>13,050</u>
Deficiency of revenues under expenditures	<u>(79,500)</u>	<u>380,214</u>	<u>393,107</u>	<u>12,893</u>
Other financing sources:				
Transfers in	<u>914,435</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	834,935	380,214	393,107	12,893
Fund balance, July 1, 2014	<u>1,952,833</u>	<u>1,952,833</u>	<u>1,952,833</u>	<u>-</u>
Fund balance, June 30, 2015	<u>\$ 2,787,768</u>	<u>\$ 2,333,047</u>	<u>\$ 2,345,940</u>	<u>\$ 12,893</u>

Refer to Note to Required Supplementary Information.

MENLO PARK CITY SCHOOL DISTRICT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS
For the Year Ended June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets	<u>Schedule of Funding Progress</u>				UAAL as a Percentage of Covered Payroll
		Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	
October 1, 2010	\$ -	\$ 6,983,617	\$ 6,983,617	0%	\$19,181,397	36.4%
November 1, 2012	\$ -	\$ 7,034,481	\$ 7,034,481	0%	\$24,083,150	29.2%
June 30, 2013	\$ -	\$ 6,494,004	\$ 6,494,004	0%	\$24,597,966	26.4%

Only three years of actuarial data is provided because the District has only had three valuations performed.

Refer to Note to Required Supplementary Information.

MENLO PARK CITY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2015

State Teachers' Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>
District's proportion of the net pension liability	0.048%
District's proportionate share of the net pension liability	\$ 28,085,000
State's proportionate share of the net pension liability associated with the District	<u>16,959,000</u>
Total net pension liability	<u>\$ 45,044,000</u>
District's covered-employee payroll	\$ 21,406,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	131.20%
Plan fiduciary net position as a percentage of the total pension liability	76.52%

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

All years prior to 2015 are not available.

Refer to Note to Required Supplementary Information.

MENLO PARK CITY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
For the Year Ended June 30, 2015

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>
District's proportion of the net pension liability	0.041%
District's proportionate share of the net pension liability	\$ 4,637,000
District's covered-employee payroll	\$ 4,287,000
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	108.16%
Plan fiduciary net position as a percentage of the total pension liability	83.38%

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

All years prior to 2015 are not available.

Refer to Note to Required Supplementary Information.

MENLO PARK CITY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2015

State Teachers' Retirement Plan
Last 10 Fiscal Years

	<u>2015</u>
Contractually required contribution	\$ 1,999,983
Contributions in relation to the contractually required contribution	\$ 1,999,983
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 22,522,000
Contributions as a percentage of covered-employee payroll	8.88%

All years prior to 2015 are not available.

Refer to Note to Required Supplementary Information.

MENLO PARK CITY SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
For the Year Ended June 30, 2015

Public Employer's Retirement Fund B
Last 10 Fiscal Years

	<u>2015</u>
Contractually required contribution	\$ 574,590
Contributions in relation to the contractually required contribution	\$ 574,590
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	\$ 4,881,000
Contributions as a percentage of covered-employee payroll	11.77%

All years prior to 2015 are not available.

Refer to Note to Required Supplementary Information.

MENLO PARK CITY SCHOOL DISTRICT
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

NOTE 1 - PURPOSE OF SCHEDULES

A - Budgetary Comparison Schedule

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

B - Schedule of Other Postemployment Benefits Funding Progress

The Schedule of Funding Progress presents multi-year trend information which compares, over time, the actuarially accrued liability for benefits with the actuarial value of accumulated plan assets.

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

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

D - Schedule of the District's Contributions

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

E - Changes of Benefit Terms

There are no changes in benefit terms reported in the Required Supplementary Information.

F - Changes of Assumptions

There are no changes in assumptions reported in the Required Supplementary Information.

SUPPLEMENTARY INFORMATION

MENLO PARK CITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 ALL NON-MAJOR FUNDS
 June 30, 2015

	<u>Cafeteria Fund</u>	<u>Capital Facilities Fund</u>	<u>County School Facilities Fund</u>	<u>Special Reserve for Capital Outlay Fund</u>	<u>Total</u>
ASSETS					
Cash in County Treasury	\$ 51,298	\$ 1,015,897	\$ -	\$ 1,875,764	\$ 2,942,959
Receivables	<u>26,123</u>	<u>13,788</u>	<u>147</u>	<u>2,938</u>	<u>42,996</u>
Total assets	<u>\$ 77,421</u>	<u>\$ 1,029,685</u>	<u>\$ 147</u>	<u>\$ 1,878,702</u>	<u>\$ 2,985,955</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 259	\$ -	\$ -	\$ -	\$ 259
Due to other funds	<u>18,722</u>	<u>13,236</u>	<u>-</u>	<u>-</u>	<u>31,958</u>
Total liabilities	<u>18,981</u>	<u>13,236</u>	<u>-</u>	<u>-</u>	<u>32,217</u>
Fund balances:					
Restricted	<u>58,440</u>	<u>1,016,449</u>	<u>147</u>	<u>1,878,702</u>	<u>2,953,738</u>
Total liabilities and fund balances	<u>\$ 77,421</u>	<u>\$ 1,029,685</u>	<u>\$ 147</u>	<u>\$ 1,878,702</u>	<u>\$ 2,985,955</u>

MENLO PARK CITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES
 ALL NON-MAJOR FUNDS
 For the Year Ended June 30, 2015

	Cafeteria Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve for Capital Outlay Fund	Total
Revenues:					
Federal sources	\$ 104,013	\$ -	\$ -	\$ -	\$ 104,013
Other state sources	5,968	-	-	-	5,968
Other local sources	<u>5,424</u>	<u>380,016</u>	<u>1,019</u>	<u>29,338</u>	<u>415,797</u>
Total revenues	<u>115,405</u>	<u>380,016</u>	<u>1,019</u>	<u>29,338</u>	<u>525,778</u>
Expenditures:					
Current:					
Books and supplies	122,808	14,775	-	-	137,583
Contract services and other operating expenditures	<u>-</u>	<u>12,960</u>	<u>-</u>	<u>-</u>	<u>12,960</u>
Total expenditures	<u>122,808</u>	<u>27,735</u>	<u>-</u>	<u>-</u>	<u>150,543</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(7,403)</u>	<u>352,281</u>	<u>1,019</u>	<u>29,338</u>	<u>375,235</u>
Other financing (uses) sources:					
Transfers in	-	-	-	685,000	685,000
Transfers out	<u>(18,722)</u>	<u>-</u>	<u>(139,855)</u>	<u>-</u>	<u>(158,577)</u>
Total other financing (uses) sources	<u>(18,722)</u>	<u>-</u>	<u>(139,855)</u>	<u>685,000</u>	<u>526,423</u>
Net change in fund balances	(26,125)	352,281	(138,836)	714,338	901,658
Fund balances, July 1, 2014	<u>84,565</u>	<u>664,168</u>	<u>138,983</u>	<u>1,164,364</u>	<u>2,052,080</u>
Fund balances, June 30, 2015	<u>\$ 58,440</u>	<u>\$ 1,016,449</u>	<u>\$ 147</u>	<u>\$ 1,878,702</u>	<u>\$ 2,953,738</u>

MENLO PARK CITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN
 ASSETS AND LIABILITIES
 ALL AGENCY FUNDS
 For the Year Ended June 30, 2015

	Balance July 1, <u>2014</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2015</u>
<u>Student Body</u>				
Assets:				
Cash on hand and in banks	<u>\$ 49,163</u>	<u>\$ 154,225</u>	<u>\$ 175,870</u>	<u>\$ 27,518</u>
Liabilities:				
Due to student groups	<u>\$ 49,163</u>	<u>\$ 154,225</u>	<u>\$ 175,870</u>	<u>\$ 27,518</u>

MENLO PARK CITY SCHOOL DISTRICT
ORGANIZATION
June 30, 2015

Menlo Park City School District, a political subdivision of the State of California, was established in 1880, and is comprised of an area of approximately 5.7 square miles in San Mateo County. There were no changes in the District's boundaries in the current year. The District is currently operating three elementary schools and one intermediate school.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Maria Hilton	President	December 2016
Jeff Child	Vice President/Clerk	December 2016
Stacy Jones	Member	December 2018
Terry Thygesen	Member	December 2018
Joan Lambert	Member	December 2018

ADMINISTRATION

Dr. Maurice Ghysels
Superintendent

Ahmad Sheikholeslami
Chief Business and Operations Officer

MENLO PARK CITY SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2015

	Second Period <u>Report</u>	Annual <u>Report</u>
Transitional Kindergarten through Third	1,250	1,250
Fourth through Sixth	927	927
Seventh and Eighth	544	543
Special Education	<u>5</u>	<u>6</u>
Totals	<u><u>2,726</u></u>	<u><u>2,726</u></u>

See accompanying notes to supplementary information.

MENLO PARK CITY SCHOOL DISTRICT
 SCHEDULE OF INSTRUCTIONAL TIME
 For the Year Ended June 30, 2015

<u>Grade Level</u>	<u>Statutory 1986-87 Minutes Require- ment</u>	<u>Reduced 1986-87 Minutes Require- ment</u>	<u>2013-2014 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	35,000	39,680	180	In Compliance
Grade 1	50,400	49,000	53,660	180	In Compliance
Grade 2	50,400	49,000	53,660	180	In Compliance
Grade 3	50,400	49,000	54,880	180	In Compliance
Grade 4	54,000	52,500	55,230	180	In Compliance
Grade 5	54,000	52,500	55,230	180	In Compliance
Grade 6	54,000	52,500	56,048	180	In Compliance
Grade 7	54,000	52,500	56,048	180	In Compliance
Grade 8	54,000	52,500	56,048	180	In Compliance

See accompanying notes to supplementary information.

MENLO PARK CITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
 For the Year Ended June 30, 2015

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	Special Education Cluster:		
84.027	IDEA Basic Local Assistance Entitlement, Part B	13379	\$ 446,806
84.027	IDEA Preschool Local Entitlement, Part B, Sec 611	13682	30,000
84.027	IDEA Local Assistance, Part B, Sec 611	13682	22,040
84.173	IDEA Preschool Grants, Part B, Section 619	13430	<u>15,000</u>
	Subtotal Special Education Cluster		<u>513,846</u>
84.010	NCLB: Title I, Part A, Basic Grants to Low-Income and Neglected	14329	57,280
84.365	NCLB: Title III, Limited English Proficient (LEP) Student Program	10084	21,436
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	<u>36,137</u>
	Total U.S. Department of Education		<u>628,699</u>
<u>U.S. Department of Agriculture - Passed through California Department of Education</u>			
10.555	Child Nutrition: School Program (NSL Sec 11)	13524	<u>104,013</u>
	Total Federal Programs		<u>\$ 732,712</u>

See accompanying notes to supplementary information.

MENLO PARK CITY SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

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

See accompanying notes to supplementary information.

MENLO PARK CITY SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
For the Year Ended June 30, 2015
(UNAUDITED)

	(Budget) <u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ <u>40,753,057</u>	\$ <u>39,911,608</u>	\$ <u>38,762,914</u>	\$ <u>35,721,953</u>
Expenditures	41,695,205	41,515,551	38,057,754	33,332,243
Other uses and transfers out	<u> </u>	<u>685,000</u>	<u>1,345,077</u>	<u>1,327,504</u>
Total outgo	<u>41,695,205</u>	<u>42,200,551</u>	<u>39,402,831</u>	<u>34,659,747</u>
Change in fund balance	\$ <u>(942,148)</u>	\$ <u>(2,288,943)</u>	\$ <u>(639,917)</u>	\$ <u>1,062,206</u>
Ending fund balance	\$ <u>13,223,695</u>	\$ <u>14,165,843</u>	\$ <u>16,454,786</u>	\$ <u>17,094,703</u>
Available reserves	\$ <u>6,842,593</u>	\$ <u>6,760,105</u>	\$ <u>6,771,006</u>	\$ <u>6,325,714</u>
Designated for economic uncertainties	\$ <u>6,842,593</u>	\$ <u>6,760,105</u>	<u> </u>	<u> </u>
Undesignated fund balance	\$ <u> </u>	\$ <u> </u>	\$ <u>6,771,006</u>	\$ <u>6,325,714</u>
Available reserves as a percentage of total outgo	<u>16.41%</u>	<u>16.02%</u>	<u>17.18%</u>	<u>18.26%</u>
<u>All Funds</u>				
Total long-term liabilities	\$ <u>174,927,234</u>	\$ <u>178,406,125</u>	\$ <u>138,973,244</u>	\$ <u>114,779,345</u>
Average daily attendance at P-2	<u>2,900</u>	<u>2,726</u>	<u>2,637</u>	<u>2,521</u>

The General Fund, including the Special Reserve for Other than Capital Outlay Fund and the Special Reserve for Other Post Employment Benefits Fund, fund balance has decreased by \$1,866,654 over the past three fiscal years. The District projects a decrease of \$942,148 for the year ending June 30, 2015. For a district this size, the State of California recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses be maintained. For the year ended June 30, 2015, the District has met this requirement.

The District has incurred operating deficits in two of the past three years, and anticipates incurring an operating deficit during the 2015-2016 fiscal year.

Total long-term liabilities have increased by \$63,626,780 over the past two years, primarily due to the issuance of general obligation bonds and the implementation of GASB Statement No. 68.

Average daily attendance has increased by 205 over the past two years. The District anticipates an increase of 174 ADA during the fiscal year ending June 30, 2016.

See accompanying notes to supplementary information.

MENLO PARK CITY SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOLS
For the Year Ended June 30, 2015

Charter Schools Chartered by District

Included in District
Financial Statements, or
Separate Report

Currently, there are no charter schools operating under the District.

See accompanying notes to supplementary information.

MENLO PARK CITY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
June 30, 2015

NOTE 1 - PURPOSE OF SCHEDULES

A - Schedule of Average Daily Attendance

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

B - Schedule of Instructional Time

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

C - Schedule of Expenditure of Federal Awards

OMB Circular A-133 requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with OMB Circular A-133 requirements, and is presented on the accrual basis of accounting.

D - Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

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

E - Schedule of Financial Trends and Analysis (Unaudited)

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2015-2016 fiscal year, as required by the State Controller's Office. The information on this schedule has been derived from audited information.

F - Schedule of Charter Schools

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

NOTE 2 - EARLY RETIREMENT INCENTIVE PROGRAM

Education Code Section 14502 requires certain disclosures in the financial statements of districts which adopt Early Retirement Incentive Programs pursuant to Education Code Sections 22714 and 44929. For the fiscal year ended June 30, 2014, the District did not adopt this program.

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

Board of Trustees
 Menlo Park City School District
 Atherton, California

Report on Compliance with State Laws and Regulations

We have audited Menlo Park City School District's compliance with the types of compliance requirements described in the State of California's *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* to the state laws and regulations listed below for the year ended June 30, 2015.

<u>Description</u>	<u>Procedures Performed</u>
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Regional Occupational Centers or Programs Maintenance of Effort	No, see below
Adult Education Maintenance of Effort	No, see below
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General requirements	No, see below
After school	No, see below
Before school	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Attendance, for charter schools	No, see below
Mode of Instruction, for charter schools	No, see below
Nonclassroom-Based Instruction/Independent Study, for charter schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	No, see below
Annual Instructional Minutes - Classroom-Based, for charter schools	No, see below
Charter School Facility Grant Program	No, see below

(Continued)

We did not perform any procedure related to Independent Study because the ADA generated by the District was not material.

We did not perform any procedures related to Continuation Education because the District does not offer this program.

We did not perform any procedures related to Early Retirement Incentive Program because the District does not offer the program in the current year.

We did not perform any procedures related to Juvenile Court Schools or Middle or Early College High Schools because the District does not offer these programs.

We did not perform any procedures related to Regional Occupational Centers or Programs Maintenance of Effort or Adult Education Maintenance of Effort because the District does not offer these programs.

We did not perform any procedures related to After School Education and Safety Program because the District does not offer this program.

We did not perform any procedures related to Contemporaneous Records of Attendance, Mode of Instruction, Nonclassroom - Based Instruction / Independent Study, Determination of Funding for Nonclassroom-Based Instruction, Annual Instructional Minutes - Classroom Based, or Charter School Facility Grant Program, for charter schools because the District had no charter schools in the current year.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with state laws and regulations as listed above, of Menlo Park City School District. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed above occurred. An audit includes examining, on a test basis, evidence about Menlo Park City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion with State Laws and Regulations

In our opinion, Menlo Park City School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2015. Further, based on our examination, for items not tested, nothing came to our attention to indicate that Menlo Park City School District had not complied with the state laws and regulations.

(Continued)

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
December 7, 2015

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

Board of Trustees
Menlo Park City School District
Atherton, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Menlo Park City School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Menlo Park City School District's basic financial statements, and have issued our report thereon dated December 7, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Menlo Park City School District's internal control over financial reporting (internal control) to determine the 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 Menlo Park City School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Menlo Park City School District's internal control.

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

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

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Menlo Park City School District's financial statements are free of 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 determination of financial statement amounts. 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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
December 7, 2015

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

Board of Trustees
Menlo Park City School District
Atherton, California

Report on Compliance for Each Major Federal Program

We have audited Menlo Park City School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Menlo Park City School District's major federal programs for the year ended June 30, 2015. Menlo Park City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Menlo Park City School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Menlo Park City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Menlo Park City School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

(Continued)

Report on Internal Control Over Compliance

Management of Menlo Park City School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Menlo Park City School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Menlo Park City School District's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
December 7, 2015

FINDINGS AND RECOMMENDATIONS

MENLO PARK CITY SCHOOL DISTRICT
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2015

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

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

Noncompliance material to financial statements
noted? _____ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

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

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

Any audit findings disclosed that are required to be
reported in accordance with Circular A-133,
Section .510(a)? _____ Yes X No

Identification of major programs:

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

Dollar threshold used to distinguish between Type A
and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes _____ No

STATE AWARDS

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

(Continued)

MENLO PARK CITY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

(Continued)

MENLO PARK CITY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

(Continued)

MENLO PARK CITY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**STATUS OF PRIOR YEAR
FINDINGS AND RECOMMENDATIONS**

MENLO PARK CITY SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
Year Ended June 30, 2015

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
<p>2014-001</p> <ul style="list-style-type: none">• The Hillview Middle School ASB does not issue receipts or keep receipt books for sales.• Supporting documentation for cash deposits with records of receipts was not maintained.• The ASB checking account is reconciled by the site Accountant with no documented review by an individual separate from the function of check disbursements. <p>The District should enforce procedures to provide for adequate review of transactions and documents related to Hillview ASB records:</p> <ul style="list-style-type: none">• The site Accountant or other individual with responsibility over ASB funds should issue receipts for every sale and supporting documentation of receipts should be maintained for each cash deposit.• The Principal should be reviewing the site Accountant's monthly bank reconciliation, and the review should be documented with a signature or initials, and date.	Implemented.	

Menlo Park City School District

CERBT Strategy 1

Entity #: SKB0-4978803059-001

Quarter Ended June 30, 2015



Market Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Balance	\$1,071,773.53	\$1,063,899.57
Contribution	303,491.84	303,491.84
Distribution	0.00	0.00
Transfer In	0.00	0.00
Transfer Out	0.00	0.00
Investment Earnings	(12,955.15)	(4,198.42)
Admin Expense	(232.59)	(1,075.36)
Other	0.00	0.00
Ending Balance	\$1,362,077.63	\$1,362,077.63
YTD Accrual	0.00	0.00
Grand Total	\$1,362,077.63	\$1,362,077.63

Unit Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Units	80,510.299	80,510.299
Unit Purchases from Contributions	22,789.347	22,789.347
Unit Sales for Withdrawals	0.000	0.000
Unit Transfer In	0.000	0.000
Unit Transfer Out	0.000	0.000
Ending Units	103,299.646	103,299.646
Period Beginning Unit Value	13.312254	13.213957
Period Ending Unit Value	13.185696	13.185696

Please note that the Grand Total is your actual fund account balance at the end of the period, including all accrued Contributions and Distributions. Please review your statement promptly. All information contained in your statement will be considered true and accurate unless you contact us within 30 days of receipt of this statement. If you have questions about the validity of this information, please contact CERBT4U@calpers.ca.gov.



Statement of Transaction Detail for the Quarter Ending 06/30/2015

Menlo Park City School District

Entity #: SKB0-4978803059-001

Date	Description	Amount	Unit Value	Units	Check/Wire	Notes
06/26/2015	Contribution	\$303,491.84	\$13.317268	22,789.347	CK 977136	

Client Contact:
CERBT4U@CalPERS.ca.gov

If you have any questions or comments regarding the new statement format please contact CERBT4U@CalPERS.ca.gov

Menlo Park City School District

CERBT Strategy 1

Entity #: SKB0-4978803059-001

Quarter Ended September 30, 2015



Market Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Balance	\$1,362,077.63	\$1,362,077.63
Contribution	0.00	0.00
Distribution	0.00	0.00
Transfer In	0.00	0.00
Transfer Out	0.00	0.00
Investment Earnings	(79,616.70)	(79,616.70)
Admin Expense	(164.50)	(164.50)
Investment Expense	(120.22)	(120.22)
Other	0.00	0.00
Ending Balance	\$1,282,176.21	\$1,282,176.21
YTD Accrual	0.00	0.00
Grand Total	\$1,282,176.21	\$1,282,176.21

Unit Value Summary:

	QTD Current Period	Fiscal Year to Date
Beginning Units	103,299.646	103,299.646
Unit Purchases from Contributions	0.000	0.000
Unit Sales for Withdrawals	0.000	0.000
Unit Transfer In	0.000	0.000
Unit Transfer Out	0.000	0.000
Ending Units	103,299.646	103,299.646
Period Beginning Unit Value	13.185696	13.185696
Period Ending Unit Value	12.412204	12.412204

Please note that the Grand Total is your actual fund account balance at the end of the period, including all accrued Contributions and Distributions. Please review your statement promptly. All information contained in your statement will be considered true and accurate unless you contact us within 30 days of receipt of this statement. If you have questions about the validity of this information, please contact CERBT4U@calpers.ca.gov.



Statement of Transaction Detail for the Quarter Ending 09/30/2015

Menlo Park City School District

Entity #: SKB0-4978803059-001

No Transactions for the Period

Client Contact:
CERBT4U@CALPERS.ca.gov

If you have any questions or comments regarding the new statement format please contact CERBT4U@CALPERS.ca.gov