

MENLO PARK CITY SCHOOL DISTRICT
Atherton, California

FINANCIAL STATEMENTS
June 30, 2012

MENLO PARK CITY SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2012

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MENLO PARK CITY SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2012

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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Menlo Park City School District
Atherton, California

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, 2012, which collectively comprise Menlo Park City School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2012 on our consideration of Menlo Park City School District's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 to 9 and the Required Supplementary Information, such as the General Fund Budgetary Comparison Schedule and the Schedule of OPEB Funding Progress on pages 34 and 35, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

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 expenditures 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 other supplemental information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The other supplemental information listed in the table of contents, except for the Schedule of Financial Trends and Analysis, have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 expenditures of federal awards and other supplemental information 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 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 financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

Crowe Horwath LLP

Sacramento, California
December 4, 2012

**MENLO PARK CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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, 2012. 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 Assets 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 assets 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, 2012**

Government-Wide Financial Statements – Statement of Net Assets 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 2011-12?” The Statement of Net Assets 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 assets and changes in those assets. This change in net assets 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 Assets 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 Building Fund, the Capital Facilities Fund, and the Bond Interest and Redemption Fund.

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 Assets 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, 2012**

The District as a Whole

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

Table 1 provides a summary of the District's net assets as of June 30, 2012 compared to June 30, 2011:

Table 1 - Summary of the Statement of Net Assets				
	2012	2011	Change	Percentage Change
Assets				
Current and Other Assets	\$ 40,490,973	\$ 62,516,120	\$ (22,025,147)	-35%
Capital Assets	\$ 108,937,457	\$ 82,987,077	\$ 25,950,380	31%
Total Assets	\$ 149,428,430	\$ 145,503,197	\$ 3,925,233	3%
Liabilities				
Current Liabilities and Other	\$ 8,206,425	\$ 4,449,045	\$ 3,757,380	84%
Long-Term Liabilities	\$ 110,713,326	\$ 109,888,725	\$ 824,601	1%
Total Liabilities	\$ 118,919,751	\$ 114,337,770	\$ 4,581,981	4%
Net Assets				
Invested in Capital Assets, Net of Debt	\$ (1,157,082)	\$ 13,474,868	\$ (14,631,950)	-109%
Restricted	\$ 25,771,482	\$ 11,775,251	\$ 13,996,231	119%
Unrestricted	\$ 5,894,279	\$ 5,915,308	\$ (21,029)	0%
Total Net Assets	\$ 30,508,679	\$ 31,165,427	\$ (656,748)	-2%

The total assets of governmental activities increased by \$3.9 million while the total liabilities increased by \$4.6 million. Total asset increased due to completion of several construction projects while the increase in liabilities was the result of current year accreted interest on capital appreciation bonds.

**MENLO PARK CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Table 2 shows the changes in net assets during the fiscal year 2011-12:

Table 2 - Summary of Changes in Net Assets				
	2012	2011	Change	Percentage Change
Revenues				
Program Revenues				
Charges for services	\$ 25,072	\$ 28,278	\$ (3,206)	-11%
Operating grants and contributions	1,555,847	1,201,914	353,933	29%
Capital grants and contributions	-	9,697,442	(9,697,442)	-100%
General Revenues:				
Property taxes	30,505,395	29,938,716	566,679	2%
Grants and entitlements - unrestricted	931,705	1,989,749	(1,058,044)	-53%
Other	4,714,608	3,923,310	791,298	20%
Total Revenues	37,732,627	46,779,409	(9,046,782)	-19%
Program Expenses				
Instruction	22,888,609	22,122,998	765,611	3%
Instruction-related services	4,035,095	3,916,174	118,921	3%
Pupil services	1,467,095	1,294,221	172,874	13%
General administration	3,008,391	1,917,591	1,090,800	57%
Plant services	2,050,464	1,876,843	173,621	9%
Interest and fiscal charges	2,530,367	6,627,136	(4,096,769)	-62%
Other outgo	2,409,354	145,607	2,263,747	1555%
Total Expenses	38,389,375	37,900,570	488,805	1%
Increase in Net Assets	(656,748)	8,878,839	(9,535,587)	-107%
Beginning Net Assets	31,165,427	22,286,588	8,878,839	40%
Ending Net Assets	\$ 30,508,679	\$ 31,165,427	\$ (656,748)	-2%

Financial Highlights:

Overall revenues and transfers in to the General Fund were \$31.9 million. Total Expenditures were \$32.5 million.

Property taxes accounted for 66% of this Basic Aid District's General Fund revenue. Another 18% was received from Parcel taxes. In addition, the Menlo Park Education Foundation \$2.6 million equates to 8% of the District's revenue.

For the fiscal year 2011-12, the District student enrollment increased by 90 students, which increases ADA and the number of teachers needed without a corresponding increase in revenue which a revenue limit district would receive.

Instruction and Instruction Related Services make up 69.7% of the District's Governmental Activities Net Expense.

**MENLO PARK CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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

Table 3 - Net Cost of Services				
				Percentage
	2012	2011	Change	Change
Instruction	\$ 21,647,658	\$ 11,392,153	\$ 10,255,505	90%
Instruction-related services	4,004,090	3,893,869	110,221	3%
Pupil services	1,262,282	1,182,945	79,337	7%
General administration	3,003,902	1,915,943	1,087,959	57%
Plant services	2,050,464	1,876,843	173,621	9%
Interest and fiscal charges	2,530,367	6,627,136	(4,096,769)	-62%
Other outgo	2,309,693	84,046	2,225,647	2648%
Total Net Cost of Services	\$ 36,808,456	\$ 26,972,935	\$ 9,835,521	36%

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, 2012**

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				
	2012	2011	Change	Percentage Change
General Fund	\$ 16,032,497	\$ 14,880,085	\$ 1,152,412	8%
Cafeteria Fund	64,240	48,018	16,222	34%
Deferred Maintenance Fund	295,904	209,941	85,963	41%
Building Fund	11,855,121	39,770,288	(27,915,167)	-70%
Capital Facilities Fund	636,032	492,680	143,352	29%
County School Facilities Fund	126,844	125,322	1,522	1%
Special Reserve for Capital Outlay Projects Fund	46,601	45,983	618	1%
Bond Interest and Redemption Fund	3,905,220	3,706,700	198,520	5%
Total Fund Balances	\$ 32,962,459	\$ 59,279,017	\$ (26,316,558)	-44%

Building, Capital Facilities, and County School 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.

Capital Assets

At the end of the fiscal year 2011-12, the District had invested \$ 124,372,842 in land, buildings, furniture and equipment, and vehicles.

Table 5 shows June 30, 2012 balances compared to June 30, 2011:

Table 5 - Summary of Capital Assets Net of Depreciation				
	2012	2011	Change	Percentage Change
Land	\$ 189,638	\$ 189,638	\$ -	0%
Construction in Progress	41,237,639	14,698,440	26,539,199	181%
Site Improvements	735,593	807,715	(72,122)	-9%
Buildings and Improvements	66,488,168	66,403,839	84,329	0%
Equipment	286,419	293,742	(7,323)	-2%
Total Capital Assets - Net	\$ 108,937,457	\$ 82,393,374	\$ 26,544,083	32%

**MENLO PARK CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Long Term Debt

Table 6 reports the balance and changes of long-term liabilities during the fiscal year 2011-12:

Table 6 - Summary of Long-Term Liabilities				
				Percentage
	2012	2011	Change	Change
General obligation bonds	\$ 110,094,539	\$ 109,568,539	\$ 526,000	0%
Deferred loss on early retirement on debt	(584,702)	(642,311)	57,609	-9%
Unamortized bond premium	345,473	356,269	(10,796)	-3%
Annual net OPEB obligation	545,240	355,505	189,735	53%
Compensated absences	312,776	250,723	62,053	25%
Total Long-term Liabilities	\$ 110,713,326	\$ 109,888,725	\$ 824,601	1%

Factors Bearing on the District's Future

The District's 2012-13 Adopted Budget included an increase in Property Tax of approximately 4%. Step & Column costs are budgeted. As a Basic Aid District, student enrollment growth is not welcomed for revenue purposes as in revenue limit 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 Diane White, Chief Business Official, Menlo Park City School District, 181 Encinal Avenue, Atherton, CA 94027.

BASIC FINANCIAL STATEMENTS

MENLO PARK CITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2012

**Governmental
Activities**

ASSETS

Cash and investments (Note 2)	\$ 38,994,056
Receivables	915,639
Prepaid expenditures	581,278
Non-depreciable capital assets (Note 4)	41,427,277
Depreciable capital assets, net of accumulated depreciation (Note 4)	<u>67,510,180</u>
Total assets	<u>149,428,430</u>

LIABILITIES

Accounts payable	8,206,425
Long-term liabilities (Note 5):	
Due within one year	2,001,177
Due after one year	<u>108,712,149</u>
Total liabilities	<u>118,919,751</u>

NET ASSETS

Invested in capital assets, net of related debt	(1,157,082)
Restricted (Note 6)	25,771,482
Unrestricted	<u>5,894,279</u>
Total net assets	<u>\$ 30,508,679</u>

See accompanying notes to financial statements.

MENLO PARK CITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2012

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenues and Changes in Net Assets</u> <u>Governmental Activities</u>
Governmental activities (Note 4):					
Instruction	\$ 22,888,609	\$ -	\$ 1,240,951	\$ -	\$ (21,647,658)
Instruction-related services:					
Supervision of instruction	1,443,769	-	25,500	-	(1,418,269)
Instructional library, media and technology	849,075	-	1,731	-	(847,344)
School site administration	1,742,251	-	3,774	-	(1,738,477)
Pupil services:					
Home-to-school transportation	241,465	24,204	67,618	-	(149,643)
Food services	194,254	868	95,890	-	(97,496)
All other pupil services	1,031,376	-	16,233	-	(1,015,143)
General administration:					
Centralized data processing	488,796	-	4,384	-	(484,412)
All other general administration	2,519,595	-	105	-	(2,519,490)
Plant services	2,050,464	-	-	-	(2,050,464)
Interest on long-term liabilities	2,530,367	-	-	-	(2,530,367)
Other outgo	2,409,354	-	99,661	-	(2,309,693)
Total governmental activities	\$ 38,389,375	\$ 25,072	\$ 1,555,847	\$ -	(36,808,456)
 General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					20,123,043
Taxes levied for debt service					4,409,810
Taxes levied for other specific purposes					5,972,542
Federal and state aid not restricted to specific purposes					931,705
Interest and investment earnings					716,170
Miscellaneous					3,998,438
Total general revenues					36,151,708
Change in net assets					(656,748)
Net assets, July 1, 2011					31,165,427
Net assets, June 30, 2012					\$ 30,508,679

See accompanying notes to these financial statements.

MENLO PARK CITY SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2012

	<u>General Fund</u>	<u>Building Fund</u>	<u>Capital Facilities Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>All Non-Major Funds</u>	<u>Total Govern- mental Funds</u>
ASSETS						
Cash and investments:						
Cash in County Treasury	\$ 16,466,908	\$ 17,421,968	\$ 670,196	\$ 3,897,707	\$ 530,313	\$ 38,987,092
Cash in revolving fund	5,000	-	-	-	-	5,000
Cash with fiscal agent	1,964	-	-	-	-	1,964
Receivables	827,902	54,088	4,255	7,513	21,881	915,639
Due from other funds	179,915	-	187,646	-	-	367,561
Prepaid expenditures	<u>3,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,757</u>
Total assets	<u>\$ 17,485,446</u>	<u>\$ 17,476,056</u>	<u>\$ 862,097</u>	<u>\$ 3,905,220</u>	<u>\$ 552,194</u>	<u>\$ 40,281,013</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 1,289,640	\$ 5,612,844	\$ 38,419	\$ -	\$ 10,090	\$ 6,950,993
Due to other funds	<u>163,309</u>	<u>8,091</u>	<u>187,646</u>	<u>-</u>	<u>8,515</u>	<u>367,561</u>
Total liabilities	<u>1,452,949</u>	<u>5,620,935</u>	<u>226,065</u>	<u>-</u>	<u>18,605</u>	<u>7,318,554</u>
Fund balances:						
Nonspendable	8,757	-	-	-	-	8,757
Restricted	8,841,520	11,855,121	636,032	3,905,220	533,589	25,771,482
Assigned	1,734,544	-	-	-	-	1,734,544
Unassigned	<u>5,447,676</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,447,676</u>
Total fund balances	<u>16,032,497</u>	<u>11,855,121</u>	<u>636,032</u>	<u>3,905,220</u>	<u>533,589</u>	<u>32,962,459</u>
Total liabilities and fund balances	<u>\$ 17,485,446</u>	<u>\$ 17,476,056</u>	<u>\$ 862,097</u>	<u>\$ 3,905,220</u>	<u>\$ 552,194</u>	<u>\$ 40,281,013</u>

See accompanying notes to financial statements.

MENLO PARK CITY SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

June 30, 2012

Total fund balances - Governmental Funds \$ 32,962,459

Amounts reported for governmental activities in the statement
of net assets 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 \$124,372,842 and the accumulated depreciation is \$15,435,385 (Note 4). 108,937,457

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, 2012 consisted of (Note 5):

General Obligation Bonds	\$ (100,728,760)	
Accreted interest on General Obligation Bonds	(9,365,779)	
Deferred loss on early retirement of bonds	584,702	
Unamortized bond premiums	(345,473)	
Other postemployment benefits (OPEB) (Note 8)	(545,240)	
Compensated absences	<u>(312,776)</u>	(110,713,326)

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. (1,255,432)

In governmental funds, debt issue costs are recognized as an other financing use in the period it is incurred. In the statement of activities, it is amortized as interest over the life of the related debt. 577,521

Total net assets - governmental activities \$ 30,508,679

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, 2012

	General Fund	Building Fund	Capital Facilities Funds	Bond Interest and Redemption Funds	All Non-Major Funds	Total Govern- mental Funds
Revenues:						
Revenue limit sources:						
State apportionment	\$ 605,763	\$ -	\$ -	\$ -	\$ -	\$ 605,763
Local sources	<u>20,123,044</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,123,044</u>
Total revenue limit	<u>20,728,807</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,728,807</u>
Federal sources	971,956	-	-	-	91,016	1,062,972
Other state sources	466,494	-	5,962,542	-	84,075	6,513,111
Other local sources	<u>3,837,230</u>	<u>854,168</u>	<u>278,664</u>	<u>4,428,641</u>	<u>29,034</u>	<u>9,427,737</u>
Total revenues	<u>26,004,487</u>	<u>854,168</u>	<u>6,241,206</u>	<u>4,428,641</u>	<u>204,125</u>	<u>37,732,627</u>
Expenditures:						
Certificated salaries	18,223,469	-	-	-	-	18,223,469
Classified salaries	4,065,076	201,907	-	-	-	4,266,983
Employee benefits	5,219,067	48,497	-	-	-	5,267,564
Books and supplies	1,247,451	211,733	29,108	-	91,285	1,579,577
Contract services and operating expenditures	1,979,475	66	106,204	-	-	2,085,745
Capital outlay	11,479	28,307,132	-	-	-	28,318,611
Other outgo	77,115	-	-	-	-	77,115
Debt service:						
Principal retirement	-	-	-	1,806,239	-	1,806,239
Interest	-	-	-	2,423,882	-	2,423,882
Total expenditures	<u>30,823,132</u>	<u>28,769,335</u>	<u>135,312</u>	<u>4,230,121</u>	<u>91,285</u>	<u>64,049,185</u>
of revenues						
expenditures	<u>(4,818,645)</u>	<u>(27,915,167)</u>	<u>6,105,894</u>	<u>198,520</u>	<u>112,840</u>	<u>(26,316,558)</u>
Other financing sources (uses):						
Operating transfers in	5,971,057	-	-	-	-	5,971,057
Operating transfers out	-	-	(5,962,542)	-	(8,515)	(5,971,057)
Total other financing sources (uses)	<u>5,971,057</u>	<u>-</u>	<u>(5,962,542)</u>	<u>-</u>	<u>(8,515)</u>	<u>-</u>
Net change in fund balances	1,152,412	(27,915,167)	143,352	198,520	104,325	(26,316,558)
Fund balances, July 1, 2011	<u>14,880,085</u>	<u>39,770,288</u>	<u>492,680</u>	<u>3,706,700</u>	<u>429,264</u>	<u>59,279,017</u>
Fund balances, June 30, 2012	<u>\$ 16,032,497</u>	<u>\$ 11,855,121</u>	<u>\$ 636,032</u>	<u>\$ 3,905,220</u>	<u>\$ 533,589</u>	<u>\$ 32,962,459</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, 2012

Net change in fund balances - Total Governmental Funds \$ (26,316,558)

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 assets (Note 4).

28,136,814

Depreciation of capital assets is an expense that is not
recorded in the governmental funds (Note 4).

(1,592,731)

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 assets (Note 5).

1,806,239

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).

(2,332,239)

In governmental funds, deferred losses on early retirement
of long-term debt is recognized as other financing uses.
In the government-wide statements, the deferred losses
on early retirement of long-term debt is amortized over the
life of the related debt (Note 5).

(57,609)

In governmental funds, costs associated with the issuance
of debt is recognized as an other financing use in the
period it is incurred. In the government-wide statements,
the costs are amortized over the life of the related debt
(Note 5).

(10,796)

Unmatured interest is not recognized until it is due and,
therefore, is not accrued as a payable in governmental
funds.

(38,080)

In the statement of activities, expenses related to other
postemployment benefits and 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).

(251,788) 25,659,810

Change in net assets of governmental activities \$ (656,748)

See accompanying notes to financial statements.

MENLO PARK CITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND - AGENCY FUND
June 30, 2012

ASSETS

Cash on hand and in bank	<u>\$ 48,344</u>
--------------------------	------------------

LIABILITIES

Due to student groups	<u>\$ 48,344</u>
-----------------------	------------------

NET ASSETS

Net assets	<u><u>\$ -</u></u>
------------	--------------------

See accompanying notes to financial statements.

MENLO PARK CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

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 Assets 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 Assets at the fund financial statement level.

The Statement of Net Assets 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.

MENLO PARK CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Government-Wide Financial Statements (Continued)

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 or account groups, 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. The District's accounts are organized into two broad categories which, in aggregate, include five fund types as follows:

A - Governmental Fund Types

1 - 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.

2 - Special Revenue Funds:

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. This classification includes the Cafeteria and Deferred Maintenance Funds.

3 - Capital Projects Funds:

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

MENLO PARK CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

A - Governmental Fund Types (Continued)

4 - Debt Service Fund:

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

B - Fiduciary Fund Type

1 - Agency Funds:

Agency Funds are used to account for assets of others for which the District acts as an agent. This classification consists of the Student Body Fund. The Student Body fund accounts for the receipt and disbursement of monies from the student body organization.

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.

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.

MENLO PARK CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

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.

Compensated Absences

Compensated absences in the amount of \$312,776 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.

Stores Inventory

Stores inventory is recorded using the consumption method, in that inventory acquisitions are initially recorded in the inventory asset account, and then charged to expenditure when used. Inventory reserves are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net assets.

Deferred 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 deferred revenue until earned.

Restricted Net Assets

Restrictions of the ending net assets indicate the portions of net assets not appropriable for expenditure or amounts legally segregated for a specific future use. These amounts are not available for appropriation and expenditure at the balance sheet date. The restriction for unspent categorical program revenues represents the portion of net assets restricted to specific program expenditures. The restrictions for special revenues, capital projects and debt repayment represents the portion of net assets restricted for special purposes, capital projects and the retirement of debt. It is the District's policy to use restricted net assets first, when allowable expenditures are incurred

MENLO PARK CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

Fund Balance Classifications

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

A - Nonspendable Fund Balance:

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

B - Restricted Fund Balance:

The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation. These are the same restrictions used to determine restricted net assets 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, 2012, 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, however, as of June 30, 2012, no such designation has occurred.

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.

MENLO PARK CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

Fund Balance Classifications (Continued)

E - Unassigned Fund Balance (continued):

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

Fund Balance Policy

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

While GASB Cod. Sec. 1300 and 1800 do not require Districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. At June 30, 2012, the District has not established a minimum fund balance policy nor has it established a stabilization arrangement.

Property Taxes

Secured property taxes are attached as an enforceable lien on property as of 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 Assets 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.

MENLO PARK CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

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.

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2012 consisted of the following:

	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Pooled Funds:		
Cash in County Treasury	\$ 38,987,092	\$ -
Deposits:		
Cash on hand and in banks	-	48,344
Cash in revolving fund	5,000	-
Investments:		
Cash in Local Agency Investment Fund	<u>1,964</u>	<u>-</u>
Total	<u>\$ 38,994,056</u>	<u>\$ 48,344</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, 2012, the San Mateo County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

MENLO PARK CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2. CASH AND INVESTMENTS (Continued)

Deposits - Custodial Credit Risk

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Under Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, interest-bearing cash balances held in banks are insured up to \$250,000 and non-interest bearing cash balances held in banks are fully insured by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2012, the carrying amount of the District's accounts was \$53,344 and the bank balance was \$53,583, all of which was insured.

Investments

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.

Interest Rate Risk

The District does not have a formal investment policy that limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2012, the District had no significant interest rate risk related to cash and investments held.

Credit Risk

The District does not have a formal investment policy that limits its investment choices other than the limitations of state law.

MENLO PARK CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

2. CASH AND INVESTMENTS (Continued)

Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2012, the District had no concentration of credit risk.

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.

3. INTERFUND TRANSACTIONS

Interfund Receivables/Payables

Interfund receivable and payable balances at June 30, 2012 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 179,915	\$ 163,309
Building	-	8,091
Capital Facilities	187,646	187,646
Non-Major Funds:		
Cafeteria	<u>-</u>	<u>8,515</u>
Totals	<u><u>\$ 367,561</u></u>	<u><u>\$ 367,561</u></u>

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 2011-2012 fiscal year were as follows:

Transfer from the Cafeteria Fund to the General Fund for the reimbursement of clerical costs for National School Lunch Program.	\$ 8,515
Transfer from the Capital Facilities Fund to the General Fund for parcel tax receipts.	<u>5,962,542</u>
	<u><u>\$ 5,971,057</u></u>

MENLO PARK CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

4. CAPITAL ASSETS

A schedule of changes in capital asset for the year ended June 30, 2012, is shown below:

	Balance July 1, 2011	Transfers and Additions	Transfers and Deductions	Balance June 30, 2012
Non-depreciable:				
Land	\$ 189,638	\$ -	\$ -	\$ 189,638
Work-in-process	14,698,440	26,732,205	193,006	41,237,639
Depreciable:				
Improvement of sites	2,313,423	-	-	2,313,423
Buildings	78,611,675	1,586,136	-	80,197,811
Equipment	422,852	11,479	-	434,331
Totals, at cost	<u>96,236,028</u>	<u>28,329,820</u>	<u>193,006</u>	<u>124,372,842</u>
Less accumulated depreciation:				
Improvement of sites	(1,505,708)	(72,122)	-	(1,577,830)
Buildings	(12,207,836)	(1,501,807)	-	(13,709,643)
Equipment	(129,110)	(18,802)	-	(147,912)
Total accumulated depreciation	<u>(13,842,654)</u>	<u>(1,592,731)</u>	<u>-</u>	<u>(15,435,385)</u>
Capital assets, net	<u>\$ 82,393,374</u>	<u>\$ 26,737,089</u>	<u>\$ 193,006</u>	<u>\$108,937,457</u>

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 1,341,133
Food services	101,831
General administration	145,730
Plant services	<u>4,037</u>
Total depreciation expense	<u>\$ 1,592,731</u>

5. LONG-TERM LIABILITIES

General Obligation Bonds

In April 2004, the District issued 2004 General Obligation Refunding Bonds totaling \$5,570,000. The proceeds of the Bonds were used to advance refund the District's Series A 1996 General Obligation Bonds. The 2004 General Obligation Bonds bear interest at rates ranging from 1.75% to 3.00%, and mature through July 1, 2021.

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.

MENLO PARK CITY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

5. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

In February 2007, the District issued Election of 2006, Series 2007 General Obligation Bonds totaling \$35,000,000. The Series 2007 General Obligation Bonds bear interest at rates ranging from 3.40% to 4.00%, and mature through July 1, 2031.

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.

General Obligation Bonds

<u>Series</u>	<u>Original Issuance</u>	<u>Balance July 1, 2011</u>	<u>Current Year Proceeds</u>	<u>Current Year, Maturities</u>	<u>Balance June 30, 2012</u>
2004 Refunding	\$ 5,570,000	\$ 3,450,000	\$ -	\$ 265,000	\$ 3,185,000
2005 Refunding	13,915,000	10,915,000	-	605,000	10,310,000
2007	35,000,000	32,365,000	-	535,000	31,830,000
2008	33,264,728	32,969,728	-	401,239	32,568,489
2010	22,835,271	22,835,271	-	-	22,835,271
Total	<u>\$ 110,584,999</u>	<u>\$ 102,534,999</u>	<u>\$ -</u>	<u>\$ 1,806,239</u>	<u>\$ 100,728,760</u>

The General Obligation Bonds are scheduled to mature as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 2,001,177	\$ 2,362,891	\$ 4,364,068
2014	2,203,836	2,430,442	4,634,278
2015	2,301,124	2,499,301	4,800,425
2016	2,603,346	2,388,101	4,991,447
2017	2,848,331	2,339,261	5,187,592
2018-2022	17,429,131	11,898,781	29,327,912
2023-2027	17,132,109	13,947,009	31,079,118
2028-2032	17,988,423	20,877,424	38,865,847
2033-2037	8,779,850	41,743,275	50,523,125
2038-2042	13,013,628	52,761,372	65,775,000
2043-2045	<u>14,427,805</u>	<u>34,198,758</u>	<u>48,626,563</u>
	<u>\$100,728,760</u>	<u>\$187,446,615</u>	<u>\$288,175,375</u>

MENLO PARK CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

5. LONG-TERM LIABILITIES (Continued)

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2012, is shown below:

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Amounts Due Within One Year
General Obligation Bonds	\$102,534,999	\$ -	\$ 1,806,239	\$100,728,760	\$ 2,001,177
Accreted interest	7,033,540	2,332,239	-	9,365,779	-
Deferred loss on early retirement of bonds	(642,311)	-	(57,609)	(584,702)	-
Unamortized bond premium	356,269	-	10,796	345,473	-
Net OPEB obligation (Note 8)	355,505	189,735	-	545,240	-
Compensated absences	250,723	62,053	-	312,776	-
	<u>\$109,888,725</u>	<u>\$ 2,584,027</u>	<u>\$ 1,759,426</u>	<u>\$110,713,326</u>	<u>\$ 2,001,177</u>

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments on capitalized lease obligations are made from the General Fund. Payments on the net OPEB obligation and compensated absences are made from the fund for which the employee worked.

6. NET ASSETS / FUND BALANCES

The restricted net assets as of June 30, 2012 consisted of the following:

	<u>Governmental Activities</u>
Restricted for:	
Routine restricted maintenance	\$ 791,480
Measures A and B Parcel Tax	7,085,122
Restricted lottery	143,182
Local grants	74,448
ELAP	2,494
Postemployment benefits	744,794
Special revenue programs	360,144
Capital projects	12,664,598
Debt repayment	<u>3,905,220</u>
	<u>\$ 25,771,482</u>

MENLO PARK CITY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

6. NET ASSETS / FUND BALANCES (Continued)

Fund balances, by category, at June 30, 2012 consisted of the following:

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	All Non-Major Funds	Total
Nonspendable:						
Revolving cash fund	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ 5,000
Prepaid expenditures	3,757	-	-	-	-	3,757
Subtotal nonspendable	8,757	-	-	-	-	8,757
Restricted:						
Routine restricted maintenance	791,480	-	-	-	-	791,480
Measures A and B Parcel Tax	7,085,122	-	-	-	-	7,085,122
Restricted Lottery	143,182	-	-	-	-	143,182
Local Grants	74,448	-	-	-	-	74,448
ELAP	2,494	-	-	-	-	2,494
Postemployment benefits	744,794	-	-	-	-	744,794
Food service operations	-	-	-	-	64,240	64,240
Deferred maintenance	-	-	-	-	295,904	295,904
Capital projects	-	11,855,121	636,032	-	173,445	12,664,598
Debt service	-	-	-	3,905,220	-	3,905,220
Subtotal restricted	8,841,520	11,855,121	636,032	3,905,220	533,589	25,771,482
Assigned:						
Property Tax reassessments	300,000	-	-	-	-	300,000
Instructional materials	140,672	-	-	-	-	140,672
Unrestricted lottery	313,617	-	-	-	-	313,617
Foundation	355,502	-	-	-	-	355,502
Unsecured taxes	260,000	-	-	-	-	260,000
Equipment reserve	50,000	-	-	-	-	50,000
Redevelopment Agency	95,547	-	-	-	-	95,547
Site grants	219,206	-	-	-	-	219,206
Subtotal assigned	1,734,544	-	-	-	-	1,734,544
Unassigned:						
Designated for economic uncertainty	5,447,676	-	-	-	-	5,447,676
Total fund balances	\$ 16,032,497	\$ 11,855,121	\$ 636,032	\$ 3,905,220	\$ 533,589	\$ 32,962,459

MENLO PARK CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

7. EMPLOYEE RETIREMENT SYSTEMS

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

Plan Description and Provisions

California Public Employees' Retirement System (CalPERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2011-2012 was 10.923% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2010, 2011 and 2012 were \$361,487, \$406,533 and \$397,085, respectively, and equal 100% of the required contributions for each year.

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from the STRS Executive Office, 100 Waterfront Place, West Sacramento, California 95605.

MENLO PARK CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

7. EMPLOYEE RETIREMENT SYSTEMS (Continued)

Plan Description and Provisions (Continued)

State Teachers' Retirement System (STRS) (Continued)

Funding Policy

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2011-2012 was 8.25% of annual payroll. The contribution requirements of the plan members are established by state statute. The District's contributions to STRS for the fiscal years ending June 30, 2010, 2011 and 2012 were \$1,354,562, \$1,432,371 and \$1,495,402, respectively, and equal 100% of the required contributions for each year.

8. OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits discussed in Note 7, 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'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	\$ 566,112
Interest on net OPEB obligation	17,775
Adjustment to annual required contribution	<u>(1,317)</u>
Annual OPEB cost (expense)	582,570
Contributions made	<u>(392,835)</u>
Increase in net OPEB obligation	189,735
Net OPEB obligation - beginning of year	<u>355,505</u>
Net OPEB obligation - end of year	<u><u>\$ 545,240</u></u>

MENLO PARK CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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, 2012 and preceding two years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 489,086	79.43%	\$ 197,772
June 30, 2011	\$ 566,112	72.14%	\$ 355,505
June 30, 2012	\$ 582,570	67.43%	\$ 545,240

As of October 1, 2010, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits and unfunded actuarial accrued liability (UAAL) were \$6,983,617. The covered payroll (annual payroll of active employees covered by the Plan) was \$19,181,397, and the ratio of the UAAL to the covered payroll was 36.4 percent.

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 above, 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 October 1, 2010 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.0 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 7.0 percent. Both rates included a 3.0 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, 2012, is 26 years.

MENLO PARK CITY SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

9. JOINT POWERS AGREEMENT

The District is a member of 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. The membership includes the school districts in San Mateo County and the County Office. 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.

The following is a summary of financial information for SMCSIG at June 30, 2011:

Total assets	\$ 12,966,179
Total liabilities	\$ 6,394,519
Net assets	\$ 6,571,660
Total revenues	\$ 32,077,491
Total expenses	\$ 32,073,069
Change in net assets	\$ 4,422

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

10. 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.

REQUIRED SUPPLEMENTARY INFORMATION

MENLO PARK CITY SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2012

	<u>Budget</u>			<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Revenue limit sources:				
State apportionment	\$ -	\$ -	\$ 605,763	\$ 605,763
Local sources	<u>20,320,342</u>	<u>20,608,858</u>	<u>20,123,044</u>	<u>(485,814)</u>
Total revenue limit	<u>20,320,342</u>	<u>20,608,858</u>	<u>20,728,807</u>	<u>119,949</u>
Federal sources	928,863	973,535	971,956	(1,579)
Other state sources	827,435	788,380	466,494	(321,886)
Other local sources	<u>3,251,000</u>	<u>3,334,495</u>	<u>3,837,230</u>	<u>502,735</u>
Total revenues	<u>25,327,640</u>	<u>25,705,268</u>	<u>26,004,487</u>	<u>299,219</u>
Expenditures:				
Certificated salaries	18,269,610	18,266,996	18,223,469	43,527
Classified salaries	4,175,542	4,086,987	4,065,076	21,911
Employee benefits	5,665,790	5,403,473	5,219,067	184,406
Books and supplies	1,145,398	1,251,134	1,247,451	3,683
Contract services and operating expenditures	2,051,120	1,987,859	1,979,475	8,384
Capital outlay	-	11,500	11,479	21
Other outgo	<u>187,375</u>	<u>107,875</u>	<u>77,115</u>	<u>30,760</u>
Total expenditures	<u>31,494,835</u>	<u>31,115,824</u>	<u>30,823,132</u>	<u>292,692</u>
Deficiency of revenues under expenditures	<u>(6,167,195)</u>	<u>(5,410,556)</u>	<u>(4,818,645)</u>	<u>591,911</u>
Other financing sources (uses):				
Operating transfers in	6,002,036	6,169,033	5,971,057	(197,976)
Operating transfers out	<u>(79,500)</u>	<u>(79,500)</u>	<u>-</u>	<u>79,500</u>
Total other financing sources (uses)	<u>5,922,536</u>	<u>6,089,533</u>	<u>5,971,057</u>	<u>(118,476)</u>
Net change in fund balance	(244,659)	678,977	1,152,412	473,435
Fund balance, July 1, 2011	<u>14,880,085</u>	<u>14,880,085</u>	<u>14,880,085</u>	<u>-</u>
Fund balance, June 30, 2012	<u>\$ 14,635,426</u>	<u>\$ 15,559,062</u>	<u>\$ 16,032,497</u>	<u>\$ 473,435</u>

See accompanying notes to required supplementary information.

MENLO PARK CITY SCHOOL DISTRICT
SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FUNDING PROGRESS

For the Year Ended June 30, 2012

Schedule of Funding Progress							
Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2010	October 1, 2010	\$ -	\$ 6,983,617	\$ 6,983,617	0%	\$ 19,181,397	36.4%
6/30/2011	October 1, 2010	\$ -	\$ 6,983,617	\$ 6,983,617	0%	\$ 19,181,397	36.4%
6/30/2012		\$ -	\$ 6,983,617	\$ 6,983,617	0%	\$ 19,181,397	36.4%

See accompanying notes to required supplementary information.

MENLO PARK CITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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 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.

SUPPLEMENTARY INFORMATION

MENLO PARK CITY SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NON-MAJOR FUNDS

June 30, 2012

	<u>Cafeteria Fund</u>	<u>Deferred Maintenance Fund</u>	<u>County School Facilities Fund</u>	<u>Special Reserve for Capital Outlay Fund</u>	<u>Total</u>
ASSETS					
Cash in County Treasury	\$ 62,018	\$ 295,240	\$ 126,559	\$ 46,496	\$ 530,313
Receivables	<u>20,827</u>	<u>664</u>	<u>285</u>	<u>105</u>	<u>21,881</u>
Total assets	<u>\$ 82,845</u>	<u>\$ 295,904</u>	<u>\$ 126,844</u>	<u>\$ 46,601</u>	<u>\$ 552,194</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 10,090	\$ -	\$ -	\$ -	\$ 10,090
Due to other funds	<u>8,515</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,515</u>
Total liabilities	18,605	-	-	-	18,605
Fund balances					
Restricted	<u>64,240</u>	<u>295,904</u>	<u>126,844</u>	<u>46,601</u>	<u>533,589</u>
Total liabilities and fund balances	<u>\$ 82,845</u>	<u>\$ 295,904</u>	<u>\$ 126,844</u>	<u>\$ 46,601</u>	<u>\$ 552,194</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, 2012

	Cafeteria Fund	Deferred Maintenance Fund	County School Facilities Fund	Special Reserve for Capital Outlay Fund	Total
Revenues:					
Federal sources	\$ 91,016	\$ -	\$ -	\$ -	\$ 91,016
Other state sources	4,874	79,201	-	-	84,075
Other local sources	<u>20,132</u>	<u>6,762</u>	<u>1,522</u>	<u>618</u>	<u>29,034</u>
Total revenues	<u>116,022</u>	<u>85,963</u>	<u>1,522</u>	<u>618</u>	<u>204,125</u>
Expenditures:					
Books and supplies	<u>91,285</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,285</u>
Excess of revenues over expenditures	24,737	85,963	1,522	618	112,840
Other financing uses:					
Operating transfers out	<u>(8,515)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,515)</u>
Net change in fund balances	16,222	85,963	1,522	618	104,325
Fund balances, July 1, 2011	<u>48,018</u>	<u>209,941</u>	<u>125,322</u>	<u>45,983</u>	<u>429,264</u>
Fund balances, June 30, 2012	<u>\$ 64,240</u>	<u>\$ 295,904</u>	<u>\$ 126,844</u>	<u>\$ 46,601</u>	<u>\$ 533,589</u>

MENLO PARK CITY SCHOOL DISTRICT
COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES

ALL AGENCY FUNDS

For the Year Ended June 30, 2012

	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>
<u>Student Body</u>				
Assets:				
Cash on hand and in banks	\$ <u>74,874</u>	\$ <u>35,237</u>	\$ <u>61,767</u>	\$ <u>48,344</u>
Liabilities:				
Due to student groups	\$ <u>74,874</u>	\$ <u>35,237</u>	\$ <u>61,767</u>	\$ <u>48,344</u>

MENLO PARK CITY SCHOOL DISTRICT

ORGANIZATION

June 30, 2012

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>
Laura Rich	President	December 2014
Terry Thygesen	Vice President/Clerk	December 2014
Jeff Child	Member	December 2016
Maria Hilton	Member	December 2016
Joan Lambert	Member	December 2014

ADMINISTRATION

Dr. Maurice Ghysels
Superintendent

Diane White
Chief Business Official

MENLO PARK CITY SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
For the Year Ended June 30, 2012

	<u>Second Period Report</u>	<u>Annual Report</u>
Kindergarten	295	295
First through Third	914	914
Fourth through Sixth	801	801
Seventh and Eighth	412	413
Special Education	20	18
Non Public Schools	<u>2</u>	<u>2</u>
Totals	<u><u>2,444</u></u>	<u><u>2,443</u></u>

See accompanying notes to supplementary information.

MENLO PARK CITY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Year Ended June 30, 2012

Grade Level	Statutory 1986-87 Minutes Require- ment	Statutory 1982-83 Actual Minutes	2011-12 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	31,500	40,680	180	In Compliance
Grade 1	50,400	49,875	52,785	180	In Compliance
Grade 2	50,400	49,875	52,785	180	In Compliance
Grade 3	50,400	49,875	53,505	180	In Compliance
Grade 4	54,000	55,125	54,765	180	In Compliance
Grade 5	54,000	55,125	54,765	180	In Compliance
Grade 6	54,000	55,125	58,653	180	In Compliance
Grade 7	54,000	57,750	58,653	180	In Compliance
Grade 8	54,000	57,750	58,653	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, 2012

Federal Catalog Number	Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass- Through Entity Identifying Number	Federal Expend- itures
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	Special Education Cluster:		
84.027	IDEA Basic Local Assistance Entitlement, Part B	13379	\$ 432,028
84.173A	IDEA Preschool Local Entitlement, Part B, Sec 611	13430	32,834
84.173	IDEA Preschool Grants, Part B, Section 619	13430	<u>17,518</u>
	Subtotal Special Education Cluster		<u>482,380</u>
	Title III Cluster:		
84.365	Title III, Immigrant Education Program	15146	16,488
84.365	Title III, Limited English Proficient (LEP) Student Program	14346	<u>36,603</u>
	Subtotal Title III Cluster		<u>53,091</u>
84.010	NCLB: Title I, Part A, Basic Grants to Low-Income and Neglected	14329	37,880
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	37,104
84.410	Education Jobs Fund (SB 847)	25152	<u>361,501</u>
	Total U.S. Department of Education		<u>971,956</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>82,255</u>
	Total Federal Programs		<u>\$ 1,054,211</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, 2012

	<u>Building Fund</u>
Unaudited Actuals ending Fund Balance, June 30, 2012	\$ 15,174,172
Understatement of Contract retentions payable	<u>(3,319,051)</u>
Audited ending Fund Balance, June 30, 2012	<u>\$ 11,855,121</u>

There were no audit adjustments proposed to any other 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, 2012
(UNAUDITED)

	(Budget) 2013	2012	2011	2010
<u>General Fund</u>				
Revenues and other financing sources	\$ 36,597,533	\$ 31,975,544	\$ 38,407,418	\$ 29,042,556
Expenditures	32,467,304	30,823,132	29,639,729	27,487,651
Other uses and transfers out	6,550,842	268,422		
Total outgo	32,467,304	30,823,132	36,190,571	27,756,073
Change in fund balance	\$ 4,130,229	\$ 1,152,412	\$ 2,216,847	\$ 1,286,483
Ending fund balance	\$ 20,162,726	\$ 16,032,497	\$ 14,880,085	\$ 12,663,238
Available reserves	\$ 5,373,223	\$ 5,447,676	\$ 6,462,068	\$ 8,324,199
Designated for economic uncertainties	\$ 5,373,223	\$ 5,447,676	\$ 4,787,478	\$ 4,187,790
Undesignated fund balance	\$ -	\$ -	\$ 1,674,590	\$ 4,136,409
Available reserves as a percentage of total outgo	16.55%	17.67%	17.86%	29.99%
<u>All Funds</u>				
Total long-term liabilities	\$ 108,712,149	\$ 110,713,326	\$ 109,888,725	\$ 107,255,437
Average daily attendance at P-2	2,542	2,444	2,377	2,273

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 increased by \$4,655,742 over the past three fiscal years. The District projects a decrease of \$(4,130,229) for the year ending June 30, 2012. 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, 2012, the District has met this requirement.

The amount designated for economic uncertainties and undesignated fund balance consists of the fund balance of the General Fund, Special Reserve for Other than Capital Outlay Fund and Special Reserve for Other Post Employment Benefits Fund.

The District has incurred operating surpluses in two of the past three years, and anticipates incurring an operating deficit during the 2011-2012 fiscal year.

Total long-term liabilities have increased by \$3,457,889 over the past two years.

Average daily attendance has increased by 171 over the past two years. The District anticipates an increase of 98 ADA during the fiscal year ending June 30, 2012.

See accompanying notes to supplementary information.

MENLO PARK CITY SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2012

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

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 modified accrual basis of accounting.

The following schedule provides a reconciliation between revenues reported on the Statement of Revenues, Expenditures and Change in Fund Balances and the related expenditures reported on the Schedule of Expenditure of Federal Awards. The reconciling amounts represent Federal funds that have been recorded as revenues that have not been expended by June 30, 2012.

<u>Description</u>	<u>CFDA Number</u>	<u>Amount</u>
Total Federal revenues, Statement of Revenues, Expenditures and Change in Fund Balances		\$ 1,062,972
Less: Child Nutrition funds not spent	10.555	<u>(8,761)</u>
Total Schedule of Expenditure of Federal Awards		<u>\$ 1,054,211</u>

MENLO PARK CITY SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
(Continued)

1. PURPOSE OF SCHEDULES (Continued)

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 2012-2013 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.

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, 2011, the District did not adopt this program.

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Trustees
 Menlo Park City School District
 Atherton, California

We have audited the compliance of Menlo Park City School District with the types of compliance requirements described in the State of California's *Standards and Procedures for Audits of California K-12 Local Educational Agencies* (the "Audit Guide") to the state laws and regulations listed below for the year ended June 30, 2012. Compliance with the requirements of state laws and regulations is the responsibility of Menlo Park City School District's management. Our responsibility is to express an opinion on Menlo Park City School District's compliance based on our audit.

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 State of California's *Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state laws and regulations listed below 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. Our audit does not provide a legal determination of Menlo Park City School District's compliance with those requirements.

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	No, see below
Continuation Education	10	No, see below
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	No, see below
Instructional Materials:		
General requirements	8	No, see below
Ratio of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	No, see below
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	No, see below
Public Hearing Requirements - Receipt of Funds	1	Yes
Juvenile Court Schools	8	No, see below
Exclusion of Pupils - Pertussis Immunization	2	Yes
Class Size Reduction Program:		
General requirements	7	Yes
Option one classes	3	Yes
Option two classes	4	No, see below
Districts with only one school serving K-3	4	No, see below

<u>Description</u>	<u>Audit Guide Procedures</u>	<u>Procedures Performed</u>
After School Education and Safety Program:		
General requirements	4	No, see below
After school	5	No, see below
Before school	6	No, see below
Contemporaneous Records of Attendance, for charter schools	3	No, see below
Mode of Instruction, for charter schools	1	No, see below
Nonclassroom-Based Instruction/Independent Study, for charter schools	15	No, see below
Determination of Funding for Nonclassroom-Based Instruction, for charter schools	3	No, see below
Annual Instructional Minutes - Classroom-Based, for charter schools	4	No, see below

We did not perform any procedures 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 Instructional Time for County Offices of Education because the District is not a County Office of Education.

We did not perform any procedures related to Instructional Materials - General Requirements, because the District did not receive funding for this program in the current year.

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

The 2011-2012 School Accountability Report Cards specified by Education Code Section 33126 are not required to be completed, nor were they completed, prior to the completion of our audit procedures for the year ended June 30, 2012. Accordingly, we could not perform the portions of audit steps (a), (b) and (c) of Section 19837 of the 2011-2012 Audit Guide relating to the comparison of tested data from the 2011-2012 fiscal year to the 2011-2012 School Accountability Report Cards.

We did not perform any procedures related to Juvenile Court Schools because the District is not a County Office of Education, and does not offer this program.

We did not perform any procedures related to Class Size Reduction Program - Option Two classes and Districts with only one school serving K-3 because the District does not offer Option Two, and the District has more than one school serving K-3.

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, Nonclassroom-Based Instruction/Independent Study, Additional Nonclassroom-Based Instruction, Determination of Funding for Nonclassroom-Based Instruction, and Annual Instructional Minutes - Classroom based, for charter schools because the District had no charter schools in the current year.

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, 2012. 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.

This report is intended solely for the information of the Board of Trustees, management, the State Controller's Office, the California Department of Education and the California Department of Finance, and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Horwath LLP
Crowe Horwath LLP

Sacramento, California
December 4, 2012

REPORT OF INDEPENDENT AUDITORS 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 the financial statements of Menlo Park City School District as of and for the year ended June 30, 2012, and have issued our report thereon dated December 4, 2012. 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.

Internal Control Over Financial Reporting

Management at Menlo Park City School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Menlo Park City School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 over financial reporting. Accordingly, we do not express an opinion of the effectiveness of Menlo Park City School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Audit Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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 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. We consider the deficiency described in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2012-01 to be a material weakness. We also noted other matters involving internal control that we have communicated to management as identified in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2012-03.

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. We consider the deficiency described in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2012-02 to be a significant deficiency.

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*.

The District's response to the findings identified in our audit is included in the accompanying Schedule of Audit Findings and Questioned Costs. However, we did not audit the responses and, accordingly, express no opinion on them.

This report is intended solely for the information of the Board of Trustees, management, the California Department of Education, the California State Controller's Office and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


Crowe Horwath LLP

Sacramento, California
December 4, 2012

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Menlo Park City School District
Atherton, California

Compliance

We have audited Menlo Park City School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (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, 2012. Menlo Park City School District's major federal programs are identified in the accompanying Schedule of Audit Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Menlo Park City School District's management. Our responsibility is to express an opinion on Menlo Park City School District's compliance based on our audit.

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. 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. Our audit does not provide a legal determination on Menlo Park City School District's compliance with those requirements.

In our opinion, Menlo Park City School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2012-04.

Internal Control Over Compliance

Management of Menlo Park City School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Menlo Park City School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The District's response to the finding identified in our audit is included in the accompanying Schedule of Audit Findings and Questioned Costs. However, we did not audit the response and, accordingly, express no opinion on it.

This report is intended solely for the information of the Board of Trustees, management, the California Department of Education, the California State Controller's Office and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


Crowe Horwath LLP

Sacramento, California
December 4, 2012

FINDINGS AND RECOMMENDATIONS

MENLO PARK CITY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

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

Noncompliance material to financial statements noted? Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? Yes X No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.173, 84.173A	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 auditors' report issued on compliance for state programs: Unqualified

MENLO PARK CITY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS

2012-01 MATERIAL WEAKNESS - CONTRACT RETENTIONS (30000)

Criteria

Accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board, require entities to establish and maintain effective internal control over financial reporting.

Condition

Construction contract retentions payable were not accrued at June 30, 2012

Effect

Accounts payable and Capital Outlay were understated by the construction contract retentions payable at June 30, 2012 totaling \$3,319,051

Cause

The retentions had been calculated by the District, but were inadvertently omitted from accrual during the year-end closing process.

Fiscal Impact

Accounts payable and Capital Outlay were understated by the construction contract retentions payable at June 30, 2012 totaling \$3,319,051

Recommendation

The District should establish a year-end closing checklist to be used by District personnel in the year-end closing process.

Corrective Action Plan

District management will implement a year-end closing checklist to ensure contract retentions are recorded.

MENLO PARK CITY SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS

**2012-02 SIGNIFICANT DEFICIENCY - MANAGEMENT REVIEW OF TRANSACTIONS
(30000)**

Criteria

Management review of transactions is an essential element of an effective system of internal control over financial reporting.

Condition

The District currently does not have procedures in place to provide for adequate review of transactions and documents that are prepared by District Office management and staff:

- The Revenue Limit Calculation is not substantively reviewed by a person other than the preparer.
- Cash balance statements from the County Treasury are received annually and are not reconciled to amounts in the District's General Ledger.
- There is no sufficient review/approval performed by the accounting department on cash reconciliations to amounts on bank statements for non-county treasury cash accounts.
- There is no proper segregation of duties between approving and posting manual JE's.

Effect

There exists a risk that errors or mistakes in postings could be made and not detected by management in the normal course of duties.

Cause

Due to limited staff resources in the District Office, procedures have not been developed and/or implemented for review of accounting reports and transactions.

Fiscal Impact

Not determinable

Recommendation

The District should develop procedures to provide for adequate review of transactions and documents that are prepared by District Office management and staff.

Corrective Action Plan

District management will investigate opportunities for acquiring additional staffing, or reevaluate assignment of responsibilities within the existing staffing structure.

MENLO PARK CITY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2012

SECTION II - FINANCIAL STATEMENT FINDINGS

2012-03 DEFICIENCY - ASSOCIATED STUDENT BODY (ASB) ACCOUNTING (30000)

Criteria

Management review of transactions is an essential element of an effective system of internal control over financial reporting.

Condition

- The Hillview Middle School ASB does not issue receipts or keep receipt books for sales.
- The ASB does not back up deposits with records of receipts.
- The ASB checking account is reconciled by the ASB Bookkeeper with no review by someone separate from the function of disbursing checks. The ASB Bookkeeper is an authorized signer and dual signatures are not required by the bank on checks.

Effect

There exists a risk that errors or mistakes could be made and not detected by management in the normal course of duties.

Cause

Adequate internal control procedures have not been properly implemented and enforced.

Fiscal Impact

Not determinable

Recommendation

The District should develop procedures to provide for adequate review of transactions and documents related to Hillview ASB records:

- The ASB should issue receipts for every sale and supporting documentation of receipts should be turned in with cash deposits to the ASB Bookkeeper.
- The site principal should be reviewing the ASB Bookkeeper's bank reconciliation.

Corrective Action Plan

District management has reviewed policies and procedures for associated student body with site personnel to ensure adequate controls are in place and are operating effectively.

MENLO PARK CITY SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2012

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2012-04 FEDERAL COMPLIANCE - CASH MANAGEMENT (50000) - CFDA 84.027, 84.073, 84.073A - SPECIAL EDUCATION CLUSTER (50000)

Criteria

Districts are required to monitor cash balances and quarterly determine if interest is payable to the US Treasury. Federal regulations in 34 CFR 80.21(i) also require that any interest earned by LEAs on federal dollars be returned to the Department of Education in excess of \$100.

Condition

The District has not performed quarterly calculations for Federal program funds received in the prior year to determine whether interest should be remitted to the California Department of Education.

Effect

The District is out of compliance with federal requirements.

Cause

Adequate internal control procedures have not been implemented and enforced to ensure the calculation is performed.

Questioned Costs

Interest earned on Federal programs for the year totaled \$1,544.

Recommendation

The District should perform quarterly interest calculations for all federal programs to determine whether interest is due to California Department of Education as required by Federal Circulars.

Corrective Action Plan

The District will prepare the calculations on a quarterly basis in order to remit any interest earned in excess of \$100 to the Department of Education by the end of the year.

MENLO PARK CITY SCHOOL DISTRICT

SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS

(Continued)

Year Ended June 30, 2012

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, 2012

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>District Explanation If Not Implemented</u>
No matters were reported in the prior year report.		