

MENLO PARK CITY SCHOOL DISTRICT
Atherton, California

FINANCIAL STATEMENTS
June 30, 2014

MENLO PARK CITY SCHOOL DISTRICT
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2014

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FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Menlo Park City School District
Atherton, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Menlo Park City School District, as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise Menlo Park City School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Menlo Park City School District, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 3 to 9 and the General Fund Budgetary Comparison Schedule and Schedule of Other Postemployment Benefits (OPEB) Funding Progress on pages 37 and 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2014 on our consideration of Menlo Park City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Menlo Park City School District's internal control over financial reporting and compliance.


Crowe Horwath LLP

**MENLO PARK CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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, 2014. The intent of the Management Discussion and Analysis (MD & A) is to look at the District's financial performance as a whole. With this in mind, please also refer to the District's financial statements (including notes and supplementary information).

Using the Annual Report

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

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

Overview of the Financial Statements

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

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

**MENLO PARK CITY SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, “How did we do financially during the fiscal year 2013-14? The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting practices used by most private-sector companies. This basis of accounting takes into accounts all of the current year’s revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the District’s Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District’s major funds. The District uses many funds to account for a multitude of financial transactions. These fund financial statements focus on each of the District’s most significant funds. The District’s major governmental funds are the General Fund, the 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 Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**MENLO PARK CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The District as a Whole

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

Table 1 provides a summary of the District's net position as of June 30, 2014 compared to June 30, 2013:

Table 1 - Summary of the Statement of Net Position

	2014	2013	Change	Percentage Change
Assets				
Current and Other Assets	\$ 54,434,576	\$ 31,964,702	\$ 22,469,874	70%
Capital Assets	115,721,820	117,386,376	\$(1,664,556)	(1)%
Total Assets	<u>170,156,396</u>	<u>149,351,078</u>	<u>20,805,318</u>	<u>14%</u>
Deferred Outflows				
Deferred Loss on Refunding of Debt	2,139,358	2,405,701	(266,343)	(11)%
Liabilities				
Current Liabilities and Other	5,222,275	4,912,085	310,190	6%
Long-Term Liabilities	136,504,556	114,779,345	21,725,211	19%
Total Liabilities	<u>141,726,831</u>	<u>119,691,430</u>	<u>22,035,401</u>	<u>18%</u>
Net Position				
Net Investment in Capital Assets	6,335,331	3,712,021	2,623,310	71%
Restricted	17,503,799	20,369,639	(2,865,840)	(14)%
Unrestricted	6,729,793	7,983,689	(1,253,896)	(16)%
Total Net Position	<u>\$ 30,568,923</u>	<u>\$ 32,065,349</u>	<u>\$ (1,496,426)</u>	<u>(5)%</u>

The change in Net Position from 2013 to 2014 is \$ 1.5 million mainly due approximately \$1.1 million increase in books and supplies due to increases in ADA and the iPad program and interest expense increase compared to the prior year based on normal repayment schedules and the new \$23 million debt issuance. These two major increases in expenses offset the minimal increases in revenue.

**MENLO PARK CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Table 2 shows the changes in net position during the fiscal year 2013-14:

Table 2 - Summary of Changes in Net Position				
	2014	2013	Change	Percentage Change
Revenues				
Program Revenues				
Charges for services	\$ 40,779	\$ 39,030	\$1,749	4%
Operating grants and contributions	2,906,766	1,160,980	\$1,745,786	150%
Capital grants and contributions	-	2,701,738	\$(2,701,738)	(100)%
General Revenues:				
Property taxes	34,667,775	33,212,817	\$1,454,958	4%
Grants and entitlements - unrestricted	2,563,092	1,933,466	\$629,626	33%
Other	6,051,865	4,963,129	\$1,088,736	22%
Total Revenues	46,230,277	44,011,160	\$2,219,117	5%
Program Expenses				
Instruction	28,555,915	24,584,151	3,971,764	16%
Instruction-related services	4,474,345	4,402,798	71,547	2%
Pupil services	1,814,088	1,648,409	165,679	10%
General administration	1,679,811	2,477,509	(797,698)	(32)%
Plant services	3,117,652	3,215,567	(97,915)	(3)%
Interest and fiscal charges	6,965,130	2,308,645	4,656,485	202%
Other outgo	1,119,762	3,239,890	(2,120,128)	(65)%
Total Expenses	47,726,703	41,876,969	5,849,734	14%
Change in Net Position	(1,496,426)	2,134,191	(3,630,617)	(170)%
Beginning Net Position, as previously stated	32,065,349	30,508,679	1,556,670	5%
Cumulative effective of change in accounting principle	-	(577,521)	577,521	(100)%
Beginning Net Position, restated	32,065,349	29,931,158	2,134,191	7%
Ending Net Position	\$30,568,923	\$32,065,349	\$(1,496,426)	(5)%

Financial Highlights:

Overall revenues and transfers-in to the General Fund were \$40.5million. Total Expenditures were \$39.5million.

Property taxes accounted for 62% of this Basic Aid District's General Fund revenue. Another 20% was received from Parcel taxes. In addition, the Menlo Park Education Foundation \$3.6 million equates to more than 9% of the District's revenue.

**MENLO PARK CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

For the fiscal year 2013-14, the District student enrollment increased by 100 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 68% of the District's Governmental Activities Program Expenses. Pupil Services make up another 3%.

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

Table 3 - Net Cost of Services

	2014	2013	Change	Percentage Change
Instruction	\$ 26,954,168	\$ 21,052,030	\$5,902,138	28%
Instruction-related services	4,335,707	4,381,299	(45,592)	(1)%
Pupil services	1,588,647	1,457,487	131,160	9%
General administration	1,176,366	2,467,579	(1,291,213)	(52)%
Plant services	3,009,668	3,215,567	(205,899)	(6)%
Interest and fiscal charges	6,995,130	2,308,645	4,686,485	203%
Other outgo	283,472	3,092,614	(2,809,142)	(91)%
Total Net Cost of Services	<u>\$ 44,343,158</u>	<u>\$ 37,975,221</u>	<u>\$ 6,367,937</u>	<u>17%</u>

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, 2014**

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

	2014	2013	Change	Percentage Change
General Fund	\$16,454,786	\$17,094,703	\$(639,917)	(4)%
Cafeteria Fund	84,565	80,641	3,924	5%
Deferred Maintenance Fund	1,952,833	1,015,236	937,597	92%
Building Fund	27,161,258	4,596,451	22,564,807	491%
Capital Facilities Fund	664,168	503,472	160,696	32%
County School Facilities Fund	138,983	136,868	2,115	2%
Special Reserve for Capital Outlay Projects Fund	1,164,364	743,256	421,108	57%
Bond Interest and Redemption Fund	5,524,812	4,238,853	1,285,959	30%
Total Fund Balances	<u>\$54,447,092</u>	<u>\$28,409,480</u>	<u>\$24,736,289</u>	<u>87%</u>

Building and Capital Facilities Funds are used to complete approved capital projects at the school sites. Decreases in these funds reflect the District's current facilities construction programs. Increases in the Deferred Maintenance and Special Reserve for Capital Outlay Funds reflect one-time resources directed to future facilities programs and maintenance. The District also maintains a Reserve for Post-Employment Benefits Fund which held \$169,168 at the June 30, 2014, however during the 2013-14 fiscal year, MPCSD had transferred \$1 million to a CalPERS CERBT irrevocable trust to fund employee retiree benefits.

Capital Assets

At the end of the fiscal year 2013-14, the District had invested \$ 135,157,294 in land, buildings, furniture and equipment, and vehicles.

Table 5 shows June 30, 2014 balances compared to June 30, 2013:

Table 5 - Summary of Capital Assets, Net of Depreciation

	2014	2013	Change	Percentage Change
Land	\$ 189,638	\$ 189,638	\$ 0	0%
Construction in Progress	738,448	50,550,568	(49,812,120)	(99)%
Site Improvements	591,349	663,471	(72,122)	(11)%
Buildings and Improvements	113,859,349	65,670,742	48,188,607	73%
Equipment	343,037	311,957	31,080	10%
Total Capital Assets - Net	<u>\$ 115,721,821</u>	<u>\$ 117,386,376</u>	<u>\$(1,664,525)</u>	<u>(1)%</u>

**MENLO PARK CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Long Term Debt

Table 6 reports the balance and changes of long-term liabilities during the fiscal year 2013-14:

Table 6 - Summary of Long-Term Liabilities

	2014	2013	Change	Percentage Change
General obligation bonds	\$132,560,861	\$108,536,731	\$24,024,130	22%
Unamortized bond premium	6,126,244	5,137,624	988,620	19%
Net OPEB obligation	-	820,164	(820,164)	(100)%
Compensated absences	286,139	284,826	1,313	0.5%
Total Long-term Liabilities	\$138,973,244	\$114,779,345	\$24,193,899	21%

Factors Bearing on the District's Future

The District's 2014-15 Adopted Budget included an increase in Property Tax of approximately 6%. 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 Menlo Park City School District Business Office, 181 Encinal Avenue, Atherton, CA 94027.

BASIC FINANCIAL STATEMENTS

MENLO PARK CITY SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental Activities</u>
ASSETS	
Cash and investments (Note 2)	\$ 53,754,724
Receivables	676,594
Non-depreciable capital assets (Note 4)	928,086
Depreciable capital assets, net of accumulated depreciation (Note 4)	114,793,734
Net OPEB asset (Note 8)	<u>3,258</u>
Total assets	<u>170,156,396</u>
DEFERRED OUTFLOWS	
Deferred loss from refunding of debt	<u>2,139,358</u>
LIABILITIES	
Accounts payable	2,751,902
Unearned revenue	1,685
Long-term liabilities (Note 5):	
Due within one year	2,468,688
Due after one year	<u>136,504,556</u>
Total liabilities	<u>141,726,831</u>
NET POSITION	
Net investment in capital assets	6,335,331
Restricted (Note 6)	17,503,799
Unrestricted	<u>6,729,793</u>
Total net position	<u>\$ 30,568,923</u>

See accompanying notes to financial statements.

MENLO PARK CITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

	Program Revenues				Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions		
Governmental activities:					
Instruction	\$ 28,555,915	\$ 123	\$ 1,601,624	\$ -	\$ (26,954,168)
Instruction-related services:					
Supervision of instruction	1,695,776	5	104,263	-	(1,591,508)
Instructional library, media and technology	996,119	10	34,440	-	(961,669)
School site administration	1,782,450	-	(80)	-	(1,782,530)
Pupil services:					
Home-to-school transportation	290,280	34,019	30,643	-	(225,618)
Food services	277,935	5,556	104,186	-	(168,193)
All other pupil services	1,245,873	14	51,023	-	(1,194,836)
General administration:					
Centralized data processing	549,872	9	32,729	-	(517,134)
All other general administration	1,129,939	157	4,550	-	(1,125,232)
Plant services	3,117,652	-	107,984	-	(3,009,668)
Interest on long-term liabilities	6,965,130	-	-	-	(6,965,130)
Other outgo	<u>1,119,762</u>	<u>886</u>	<u>835,404</u>	<u>-</u>	<u>(283,472)</u>
Total governmental activities	<u>\$ 47,726,703</u>	<u>\$ 40,779</u>	<u>\$ 2,906,766</u>	<u>\$ -</u>	<u>(44,779,158)</u>
General revenues:					
Taxes and subventions:					
Taxes levied for general purposes					23,588,340
Taxes levied for debt service					4,781,228
Taxes levied for other specific purposes					6,298,207
Federal and state aid not restricted to specific purposes					2,563,092
Interest and investment earnings					1,344,244
Miscellaneous					<u>4,707,621</u>
					<u>43,282,732</u>
					(1,496,426)
					<u>32,065,349</u>
					<u>\$ 30,568,923</u>

See accompanying notes to these financial statements.

MENLO PARK CITY SCHOOL DISTRICT

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2014

	<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	\$ 16,538,934	\$ 27,595,656	\$ 655,320	\$ 5,517,424	\$ 3,334,707	\$ 53,642,041
Cash in revolving fund	5,000	-	-	-	-	5,000
Cash with Fiscal Agent	105,707	-	-	-	-	105,707
Investments	1,976	-	-	-	-	1,976
Receivables	581,028	41,744	8,848	7,388	37,586	676,594
Due from other funds	<u>15,774</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,774</u>
Total assets	<u>\$ 17,248,419</u>	<u>\$ 27,637,400</u>	<u>\$ 664,168</u>	<u>\$ 5,524,812</u>	<u>\$ 3,372,293</u>	<u>\$ 54,447,092</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 792,768	\$ 475,758	\$ -	\$ -	\$ 15,338	\$ 1,283,864
Due to other funds	-	384	-	-	15,390	15,774
Unearned revenue	<u>865</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>820</u>	<u>1,685</u>
Total liabilities	<u>793,633</u>	<u>476,142</u>	<u>-</u>	<u>-</u>	<u>31,548</u>	<u>1,301,323</u>
Fund balances:						
Nonspendable	5,000	-	-	-	-	5,000
Restricted	7,974,074	27,161,258	664,168	5,524,812	3,340,745	44,665,057
Assigned	1,704,706	-	-	-	-	1,704,706
Unassigned	<u>6,771,006</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,771,006</u>
Total fund balances	<u>16,454,786</u>	<u>27,161,258</u>	<u>664,168</u>	<u>5,524,812</u>	<u>3,340,745</u>	<u>53,145,769</u>
Total liabilities and fund balances	<u>\$ 17,248,419</u>	<u>\$ 27,637,400</u>	<u>\$ 664,168</u>	<u>\$ 5,524,812</u>	<u>\$ 3,372,293</u>	<u>\$ 54,447,092</u>

See accompanying notes to financial statements.

MENLO PARK CITY SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2014

Total fund balances - Governmental Funds		\$ 53,145,769
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used for governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$135,157,294 and the accumulated depreciation is \$19,435,474 (Note 4).		115,721,820
Losses on refundings of debt are categorized as deferred outflows and are amortized over the shortened life of the refunded or refunding debt.		2,139,358
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, 2014 consisted of (Note 5):		
General Obligation Bonds	\$ (116,853,747)	
Accreted interest on General Obligation Bonds	(15,707,114)	
Unamortized bond premiums	(6,126,244)	
Compensated absences	<u>(286,139)</u>	
		(138,973,244)
Other postemployment benefits assets are recognized in the government-wide statements but are not recognized in the governmental funds (Note 8).		3,258
In governmental funds, interest on long-term liabilities is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred.		<u>(1,468,038)</u>
Total net position - governmental activities		<u>\$ 30,568,923</u>

See accompanying notes to financial statements.

MENLO PARK CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended June 30, 2014

	<u>General Fund</u>	<u>Building Fund</u>	<u>Capital Facilities Funds</u>	<u>Bond Interest and Redemption Funds</u>	<u>All Non-Major Funds</u>	<u>Total Govern- mental Funds</u>
Revenues:						
Local control funding formula:						
State apportionment	\$ 1,552,778	\$ -	\$ -	\$ -	\$ -	\$ 1,552,778
Local sources	<u>23,588,340</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,588,340</u>
Total local control funding formula	<u>25,141,118</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,141,118</u>
Federal sources	593,703	-	-	-	112,515	706,218
Other state sources	1,777,243	-	6,288,207	14,476	5,871	8,085,797
Other local sources	<u>4,950,253</u>	<u>1,070,027</u>	<u>386,230</u>	<u>5,847,520</u>	<u>43,116</u>	<u>12,297,146</u>
Total revenues	<u>32,462,317</u>	<u>1,070,027</u>	<u>6,674,437</u>	<u>5,861,996</u>	<u>161,502</u>	<u>46,230,279</u>
Expenditures:						
Certificated salaries	21,477,869	-	-	-	-	21,477,869
Classified salaries	4,969,595	57,995	-	-	-	5,027,590
Employee benefits	5,698,172	14,287	-	-	-	5,712,459
Books and supplies	2,157,731	22,277	52,138	-	106,314	2,338,460
Contract services and operating expenditures	2,572,683	-	173,396	-	20,128	2,766,207
Capital outlay	66,120	1,410,661	-	-	-	1,476,781
Other outgo	1,115,587	-	-	-	3,000	1,118,587
Debt service:						
Principal retirement	-	-	-	2,128,836	-	2,128,836
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,447,201</u>	<u>-</u>	<u>2,447,201</u>
Total expenditures	<u>38,057,757</u>	<u>1,505,220</u>	<u>225,534</u>	<u>4,576,037</u>	<u>129,442</u>	<u>44,493,990</u>
(Deficiency) excess of revenues (under) over expenditures	<u>(5,595,440)</u>	<u>(435,193)</u>	<u>6,448,903</u>	<u>1,285,959</u>	<u>32,060</u>	<u>1,736,289</u>
Other financing sources (uses):						
Operating transfers in	6,300,597	-	-	-	1,345,074	7,645,671
Operating transfers out	(1,345,074)	-	(6,288,207)	-	(12,390)	(7,645,671)
Proceeds from issuance of debt	<u>-</u>	<u>23,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,000,000</u>
Total other financing sources (uses)	<u>4,955,523</u>	<u>23,000,000</u>	<u>(6,288,207)</u>	<u>-</u>	<u>1,332,684</u>	<u>23,000,000</u>
Net change in fund balances	(639,917)	22,564,807	160,696	1,285,959	1,364,744	24,736,289
Fund balances, July 1, 2013	<u>17,094,703</u>	<u>4,596,451</u>	<u>503,472</u>	<u>4,238,853</u>	<u>1,976,001</u>	<u>28,409,480</u>
Fund balances, June 30, 2014	<u>\$ 16,454,786</u>	<u>\$ 27,161,258</u>	<u>\$ 664,168</u>	<u>\$ 5,524,812</u>	<u>\$ 3,340,745</u>	<u>\$ 53,145,769</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, 2014

Net change in fund balances - Total Governmental Funds	\$ 24,736,289
Amounts reported for governmental activities in the statement of activities are different because:	
Acquisition of capital assets is an expenditure in the governmental funds, but increases capital assets in the statement of net position (Note 4).	1,120,999
Depreciation of capital assets is an expense that is not recorded in the governmental funds (Note 4).	(2,785,555)
In governmental funds, deferred outflows of resources are not recognized. In the government-wide statements, deferred outflows of resources are amortized over the shortened life of the refunded or refunding debt.	(266,343)
Issuance of long-term liabilities is an other financing source in the governmental funds, but increases the long-term liabilities in the statement of net position (Note 5).	(23,000,000)
Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but decreases the long-term liabilities in the statement of net position (Note 5).	2,128,836
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).	(3,152,966)
In governmental funds, premiums associated with the issuance of debt are recognized as other financing sources in the period it is incurred. In the government-wide statements, the premiums are amortized over the life of the related debt (Note 5).	(988,620)
In the statement of activities, expenses related to compensated absences are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 5).	(1,313)
Unmatured interest is not recognized until it is due and is not accrued as a payable in governmental funds.	(111,175)

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**

(Continued)

For the Year Ended June 30, 2014

In the statement of activities, expenses related to other postemployment benefits are measured by the amounts earned during the year. In the governmental funds, expenditures are measured by the amount of financial resources used (Note 8).

\$ 823,422

Change in net position of governmental activities

\$ (1,496,426)

See accompanying notes to financial statements.

MENLO PARK CITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
June 30, 2014

	OPEB Irrevocable Trust <u>Fund</u>	Student Body <u>Funds</u>
ASSETS		
Cash and Investments (Note 2):		
Cash on hand and in bank	\$ -	\$ 49,163
Held in Trust	<u>1,063,860</u>	<u>-</u>
Total assets	<u>1,063,860</u>	<u>49,163</u>
LIABILITIES		
Due to student groups	<u>-</u>	<u>49,163</u>
NET POSITION		
Net position held in trust for other postemployment benefits	<u>\$ 1,063,860</u>	<u>\$ -</u>

See accompanying notes to financial statements.

MENLO PARK CITY SCHOOL DISTRICT
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2014

	OPEB Irrevocable Trust <u>Fund</u>
Additions:	
Investment income:	
Interest	\$ 64,269
Investment expenses	<u>(409)</u>
Total investment income	63,860
Employer contributions	<u>1,000,000</u>
Net increase in net position	1,063,860
Net position, July 1, 2013	<u>-</u>
Net position, June 30, 2014	<u><u>\$ 1,063,860</u></u>

See accompanying notes to financial statements.

MENLO PARK CITY SCHOOL DISTRICT

NOTES TO 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 Position and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the government-wide financial statements. Fiduciary funds are reported only in the Statement of Fiduciary Net Position at the fund financial statement level.

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

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

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

MENLO PARK CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Fund Accounting

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

A - Major Funds

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 - Building Fund:

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

3 - Capital Facilities Fund:

The Capital Facilities Fund is used to account for resources used for the acquisition or construction of major capital facilities and equipment, and primarily includes funds received from fees levied on developers or other agencies as a condition of approving a development project.

4 - Bond Interest and Redemption Fund:

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

B - Other Funds

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

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

MENLO PARK CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

Basis of Presentation - Fund Accounting (Continued)

B - Other Funds (Continued)

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

Basis of Accounting

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

Accrual

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

Modified Accrual

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

Budgets and Budgetary Accounting

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

Receivables

Receivables are made up principally of amounts due from the State of California for Local control funding formula and Categorical programs. The District has determined that no allowance for doubtful accounts was needed as of June 30, 2014.

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.

MENLO PARK CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s), and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District only has one item that qualifies for reporting in this category, which is the deferred loss on refunding reported in the statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shortened life of the refunded or refunding debt. Amortization for the year ended June 30, 2014 totaled \$266,343.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and as such, will not be recognized as an inflow of resources (revenue) until that time. The District does not have any item of this type.

Compensated Absences

Compensated absences in the amount of \$286,139 is recorded as a liability of the District. The liability is for earned but unused benefits.

Accumulated Sick Leave

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

Unearned Revenue

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

Restricted Net Position

Restrictions of the ending net position indicate the portions of net position not appropriate for expenditure or amounts legally segregated for a specific future use. 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 position restricted to specific program expenditures. The restrictions for Measures A, B and C Parcel Taxes, postemployment benefits, special revenues, capital projects and debt repayment represents the portion of net position restricted for Measures A, B and C Parcel Taxes, postemployment benefits, special purposes, capital projects and the retirement of debt. It is the District's policy to use restricted net position first, when allowable expenditures are incurred.

MENLO PARK CITY SCHOOL DISTRICT

NOTES TO 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.

B - Restricted Fund Balance:

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

C - Committed Fund Balance:

The committed fund balance classification reflects amounts subject to internal constraints self-imposed by formal action of the Board of Education. The constraints giving rise to committed fund balance must be imposed no later than the end of the reporting period. The actual amounts may be determined subsequent to that date but prior to the issuance of the financial statements. Formal action by the Board of Education is required to remove any commitment from any fund balance. At June 30, 2014, the District had no committed fund balances.

D - Assigned Fund Balance:

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

E - Unassigned Fund Balance:

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

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

MENLO PARK CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

Fund Balance Policy

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

While GASB Cod. Sec. 1300 and 1800 do not require Districts to establish a minimum fund balance policy or a stabilization arrangement, GASB Cod. Sec. 1300 and 1800 do require the disclosure of a minimum fund balance policy and stabilization arrangements, if they have been adopted by the Board of Education. The District has established a minimum fund balance policy requiring a Reserve for Economic Uncertainty of no less than 10% of total expenditures, outgo and other financing uses. At June 30, 2014, the District has not 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 Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Estimates

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

MENLO PARK CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 66, Technical Corrections – 2013, an amendment of GASB Statements No. 10 and No. 61. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 64, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre- November 30, 1989 FASB and AICPA Pronouncements. This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, Districts should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement No. 54 and Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, Accounting for Operating Leases with Scheduled Rent Increases, and result in guidance that is consistent with the requirements in Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, respectively. This statement was adopted for the District's fiscal year ended June 30, 2014, with no material impact on the District.

In June 2012, the GASB issued Statement No. 67, Financial Reporting for Pension Plans. This Statement replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and Statement No. 50 as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement No. 67 enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. Statement No. 67 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. This statement was adopted for the District's fiscal year ended June 30, 2014, with no material impact on the District.

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers and Statement No. 50, Pension Disclosures, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). This Statement is effective for the District's fiscal year ending June 30, 2015. Management has not determined what impact this statement will have on the District's financial statements, although it is expected to be significant.

MENLO PARK CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

New Accounting Pronouncements (Continued)

In November 2013 GASB issued Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68 and are effective for the District's fiscal year ending June 30, 2015. Management has not determined what impact this GASB statement will have on its financial statements.

2. CASH AND INVESTMENTS

Cash and investments at June 30, 2014 consisted of the following:

	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>
Pooled Funds:		
Cash in County Treasury	\$ 53,642,041	\$ -
Deposits:		
Cash on hand and in banks	-	49,163
Cash in revolving fund	5,000	-
Investments:		
Cash in Local Agency Investment Fund	1,976	-
Cash with Fiscal Agent	105,707	-
Held in Trust	<u>-</u>	<u>1,063,860</u>
Total	<u>\$ 53,754,724</u>	<u>\$ 1,113,023</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.

MENLO PARK CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. CASH AND INVESTMENTS (Continued)

Pooled Funds (Continued)

In accordance with applicable state laws, the San Mateo County Treasurer may invest in derivative securities. However, at June 30, 2014, the San Mateo County Treasurer has represented that the Treasurer's pooled investment fund contained no derivatives or other investments with similar risk profiles.

Deposits - Custodial Credit Risk

The District limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2014, the carrying amount of the District's accounts were \$54,163, and the bank balances were \$54,100, all of which was insured.

Investments

Local Agency Investment Fund (LAIF):

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

Cash with Fiscal Agent

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

Held in Trust

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

MENLO PARK CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

2. CASH AND INVESTMENTS (Continued)

Investments (Continued)

Held in Trust (Continued)

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

Interest Rate Risk

The District's investment policy limits cash and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At June 30, 2014, the District had no significant interest rate risk related to cash and investments held.

Credit Risk

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

Concentration of Credit Risk

The District does not place limits on the amount it may invest in any one issuer. At June 30, 2014, 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, 2014 were as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major Funds:		
General	\$ 15,774	\$ -
Building	-	384
Non-Major Fund:		
Cafeteria	-	15,390
Totals	<u>\$ 15,774</u>	<u>\$ 15,774</u>

MENLO PARK CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

3. INTERFUND TRANSACTIONS (Continued)

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 2013-2014 fiscal year were as follows:

Transfer from the General Fund to the Special Reserve for Capital Outlay Fund of funds received from the Redevelopment Agency for capital outlay.	\$	415,058
Transfer from the General Fund to the Deferred Maintenance Fund to pay for deferred maintenance expenses.		400,000
Transfer from the General Fund to the Deferred Maintenance Fund to cover the rental expenses at the O'Connor school site.		345,016
Transfer from the General Fund to the Deferred Maintenance Fund to pay for Restricted Routine Maintenance.		185,000
Transfer from the Cafeteria Fund to the General Fund for indirect cost support.		12,390
Transfer from the Capital Facilities Fund to the General Fund for parcel tax receipts.		<u>6,288,207</u>
	\$	<u><u>7,645,671</u></u>

4. CAPITAL ASSETS

A schedule of changes in capital asset for the year ended June 30, 2014, is shown below:

	<u>Balance July 1, 2013</u>	<u>Transfers and Additions</u>	<u>Transfers and Deductions</u>	<u>Balance June 30, 2014</u>
Non-depreciable:				
Land	\$ 189,638	\$ -	\$ -	\$ 189,638
Work-in-process	50,550,568	1,054,879	(50,866,999)	738,448
Depreciable:				
Improvement of sites	2,313,423	-	-	2,313,423
Buildings	80,510,427	-	50,866,999	131,377,426
Equipment	<u>472,239</u>	<u>66,120</u>	<u>-</u>	<u>538,359</u>
Totals, at cost	<u>134,036,295</u>	<u>1,120,999</u>	<u>-</u>	<u>135,157,294</u>
Less accumulated depreciation:				
Improvement of sites	(1,649,952)	(72,122)	-	(1,722,074)
Buildings	(14,839,685)	(2,678,394)	-	(17,518,079)
Equipment	<u>(160,282)</u>	<u>(35,039)</u>	<u>-</u>	<u>(195,321)</u>
Total accumulated depreciation	<u>(16,649,919)</u>	<u>(2,785,555)</u>	<u>-</u>	<u>(19,435,474)</u>
Capital assets, net	<u>\$117,386,376</u>	<u>\$ (1,664,556)</u>	<u>\$ -</u>	<u>\$115,721,820</u>

MENLO PARK CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

4. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental activities as follows:

Instruction	\$ 2,361,524
Food services	171,621
General administration	245,606
Plant services	<u>6,804</u>
 Total depreciation expense	 <u><u>\$ 2,785,555</u></u>

5. LONG-TERM LIABILITIES

General Obligation Bonds

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

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

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

In July 2012, the District issued 2012 General Obligation Refunding Bonds totaling \$31,395,000, for the purpose of refunding the outstanding balance of both the District's 2004 General Obligation Refunding Bonds and the Election of 2006, Series 2007 General Obligation Bonds. The Bonds bear interest at rates ranging from 2.00% to 5.00%, and mature through July 1, 2031. As of June 30, 2013, \$34,140,000 of bonds outstanding are considered defeased.

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

Series	Original Issuance	Balance July 1, 2013	Issued Current Year	Redeemed Current Year	Balance June 30, 2014
2005 Refunding	\$ 13,915,000	\$ 9,690,000	\$ -	\$ 725,000	\$ 8,965,000
2008	33,264,728	32,062,312	-	347,991	31,714,321
2010	22,835,271	22,835,271	-	170,845	22,664,426
2012	31,395,000	31,395,000	-	885,000	30,510,000
2014	<u>23,000,000</u>	<u>-</u>	<u>23,000,000</u>	<u>-</u>	<u>23,000,000</u>
 Total	 <u>\$ 124,409,999</u>	 <u>\$ 95,982,583</u>	 <u>\$ 23,000,000</u>	 <u>\$ 2,128,836</u>	 <u>\$ 116,853,747</u>

MENLO PARK CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
(Continued)

5. LONG-TERM LIABILITIES (Continued)

General Obligation Bonds (Continued)

The General Obligation Bonds are scheduled to mature as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 2,171,124	\$ 3,253,310	\$ 5,424,434
2016	3,318,346	3,380,678	6,699,024
2017	2,788,331	3,319,293	6,107,624
2018	3,119,352	3,199,214	6,318,566
2019	3,358,388	3,294,062	6,652,450
2020-2024	19,646,192	17,265,841	36,912,033
2025-2029	19,932,638	20,060,675	39,993,313
2030-2034	19,927,140	31,406,985	51,334,125
2035-2039	18,696,053	48,631,072	67,327,125
2040-2044	18,208,760	54,771,178	72,979,938
2045	5,687,423	11,286,951	16,974,374
	<u>\$ 116,853,747</u>	<u>\$ 199,869,259</u>	<u>\$ 316,723,006</u>

Schedule of Changes in Long-Term Liabilities

A schedule of changes in long-term liabilities for the year ended June 30, 2014, is shown below:

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Amounts Due Within One Year
General Obligation Bonds	\$ 95,982,583	\$ 23,000,000	\$ 2,128,836	\$ 116,853,747	\$ 2,171,124
Accreted interest	12,554,148	3,489,543	336,577	15,707,114	297,564
Unamortized bond premiums	5,137,624	1,230,743	242,123	6,126,244	-
Compensated absences	284,826	1,313	-	286,139	-
	<u>\$ 113,959,181</u>	<u>\$ 27,721,599</u>	<u>\$ 2,707,536</u>	<u>\$ 138,973,244</u>	<u>\$ 2,468,688</u>

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund. Payments for compensated absences are made from the fund for which the employee worked.

6. NET POSITION / FUND BALANCES

The restricted net position as of June 30, 2014 consisted of the following:

	Governmental Activities
Restricted for Unspent categorical program revenues	\$ 1,899,388
Restricted for Measures A, B and C Parcel Tax	5,905,518
Restricted for Postemployment benefits	169,168
Restricted for Special revenue programs	2,037,398
Restricted for Capital projects	1,967,515
Restricted for Debt repayment	5,524,812
	<u>\$ 17,503,799</u>

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

6. NET POSITION / FUND BALANCES (Continued)

Fund balances, by category, at June 30, 2014 consisted of the following:

	<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</u>
Nonspendable:						
Revolving cash fund	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000</u>
Restricted:						
Routine restricted maintenance	1,899,388	-	-	-	-	1,899,388
Measures A, B and C Parcel Tax	5,905,518	-	-	-	-	5,905,518
Postemployment benefits	169,168	-	-	-	-	169,168
Food service operations	-	-	-	-	84,565	84,565
Deferred maintenance	-	-	-	-	1,952,833	1,952,833
Capital projects	-	27,161,258	664,168	-	1,303,347	29,128,773
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,524,812</u>	<u>-</u>	<u>5,524,812</u>
Subtotal restricted	<u>7,974,074</u>	<u>27,161,258</u>	<u>664,168</u>	<u>5,524,812</u>	<u>3,340,745</u>	<u>44,665,057</u>
Assigned:						
Property Tax reassessments	<u>1,704,706</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,704,706</u>
Unassigned:						
Undesignated	<u>6,771,006</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,771,006</u>
Total fund balances	<u>\$ 16,454,786</u>	<u>\$ 27,161,258</u>	<u>\$ 664,168</u>	<u>\$ 5,524,812</u>	<u>\$ 3,340,745</u>	<u>\$ 53,145,769</u>

MENLO PARK CITY SCHOOL DISTRICT

NOTES TO 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. Classified employees are members of the California Public Employees' Retirement System (CalPERS), and certificated employees are members of the State Teachers' Retirement System (STRS).

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 2013-2014 was 11.442% 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, 2012, 2013 and 2014 were \$397,085, \$449,222 and \$504,384, 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.

Funding Policy

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2013-2014 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, 2012, 2013 and 2014 were \$1,495,402, \$1,650,971 and \$1,765,424, respectively, and equal 100% of the required contributions for each year. On June 24, 2014 the Governor signed Assembly Bill 1469 which will increase the member contribution to 19.1% over the next seven years.

MENLO PARK CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

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

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

Annual required contribution	\$ 582,942
Interest on net OPEB obligation	41,008
Adjustment to annual required contribution	<u>(11,839)</u>
Annual OPEB cost (expense)	<u>612,111</u>
Benefit payments made	(435,533)
Discretionary contributions made	<u>(1,000,000)</u>
Total payments	<u>(1,435,533)</u>
Decrease in net OPEB obligation	(823,422)
Net OPEB obligation - beginning of year	<u>820,164</u>
Net OPEB asset - end of year	<u><u>\$ (3,258)</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2014 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 (Asset)</u>
June 30, 2012	\$ 582,570	67.43%	\$ 545,240
June 30, 2013	\$ 701,662	60.80%	\$ 820,164
June 30, 2014	\$ 612,111	234.52%	\$ (3,258)

MENLO PARK CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

8. OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

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

In the June 30, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.25 percent investment rate (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan on the valuation date, and an annual healthcare cost trend rate of 4.0 percent. Both rates included a 2.75 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014 is 30 years.

9. JOINT POWERS AGREEMENT

The District is a member with other school districts in San Mateo County and the San Mateo County Office of Education in a Joint Powers Authority, San Mateo County Schools Insurance Group (SMCSIG), for the operation of a common risk management and insurance program. The program covers property, workers' compensation, medical, dental, liability insurance for its member districts. SMCSIG is governed by an Executive Board consisting of representatives from each member district. The Executive Board controls the operations of SMCSIG, including the selection of management and approval of operating budgets. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

MENLO PARK CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

(Continued)

9. JOINT POWERS AGREEMENT (Continued)

The following is a summary of financial information for SMCSIG at June 30, 2013:

Total assets	\$ 15,057,445
Total liabilities	\$ 6,133,469
Net assets	\$ 8,923,976
Total revenues	\$ 34,049,867
Total expenses	\$ 32,973,270
Change in net assets	\$ 1,076,597

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, 2014

	<u>Budget</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local control funding formula:				
State apportionment	\$ 1,303,500	\$ 1,691,799	\$ 1,552,778	\$ (139,021)
Local sources	<u>23,128,027</u>	<u>23,596,807</u>	<u>23,588,340</u>	<u>(8,467)</u>
Total local control funding formula	<u>24,431,527</u>	<u>25,288,606</u>	<u>25,141,118</u>	<u>(147,488)</u>
Federal sources	578,062	580,397	593,703	13,306
Other state sources	1,009,176	1,722,270	1,777,243	54,973
Other local sources	<u>4,352,864</u>	<u>4,646,727</u>	<u>4,950,253</u>	<u>303,526</u>
Total revenues	<u>30,371,629</u>	<u>32,238,000</u>	<u>32,462,317</u>	<u>224,317</u>
Expenditures:				
Certificated salaries	20,927,047	21,478,722	21,477,869	853
Classified salaries	4,847,219	4,969,943	4,969,595	348
Employee benefits	5,899,235	5,815,738	5,698,172	117,566
Books and supplies	1,635,673	2,185,124	2,157,731	27,393
Contract services and operating expenditures	2,902,275	3,189,488	2,572,683	616,805
Capital outlay	-	66,120	66,120	-
Other outgo	<u>87,375</u>	<u>1,118,588</u>	<u>1,115,587</u>	<u>3,001</u>
Total expenditures	<u>36,298,824</u>	<u>38,823,723</u>	<u>38,057,757</u>	<u>765,966</u>
Deficiency of revenues under expenditures	<u>(5,927,195)</u>	<u>(6,585,723)</u>	<u>(5,595,440)</u>	<u>990,283</u>
Other financing sources (uses):				
Operating transfers in	7,235,748	8,226,748	6,300,597	(1,926,151)
Operating transfers out	<u>(810,016)</u>	<u>(1,496,497)</u>	<u>(1,345,074)</u>	<u>151,423</u>
Total other financing sources (uses)	<u>6,425,732</u>	<u>6,730,251</u>	<u>4,955,523</u>	<u>(1,774,728)</u>
Net change in fund balance	498,537	144,528	(639,917)	(784,445)
Fund balance, July 1, 2013	<u>17,094,703</u>	<u>17,094,703</u>	<u>17,094,703</u>	<u>-</u>
Fund balance, June 30, 2014	<u>\$ 17,593,240</u>	<u>\$ 17,239,231</u>	<u>\$ 16,454,786</u>	<u>\$ (784,445)</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, 2014

Schedule of Funding Progress						
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
October 1, 2010	\$ -	\$9,983,617	\$9,983,617	0%	\$9,181,397	36.4%
November 1, 2012	\$ -	\$7,034,481	\$7,034,481	0%	\$1,083,150	29.2%
June 30, 2013	\$ -	\$9,494,004	\$9,494,004	0%	\$1,597,966	26.4%

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, 2014

	<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	\$ 83,412	\$ 1,949,899	\$ 138,775	\$ 1,162,621	\$ 3,334,707
Receivables	<u>32,701</u>	<u>2,934</u>	<u>208</u>	<u>1,743</u>	<u>37,586</u>
Total assets	<u>\$ 116,113</u>	<u>\$ 1,952,833</u>	<u>\$ 138,983</u>	<u>\$ 1,164,364</u>	<u>\$ 3,372,293</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 15,338	\$ -	\$ -	\$ -	\$ 15,338
Due to other funds	15,390	-	-	-	15,390
Unearned revenue	<u>820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>820</u>
Total liabilities	<u>31,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,548</u>
Fund balances:					
Restricted	<u>84,565</u>	<u>1,952,833</u>	<u>138,983</u>	<u>1,164,364</u>	<u>3,340,745</u>
Total liabilities and fund balances	<u>\$ 116,113</u>	<u>\$ 1,952,833</u>	<u>\$ 138,983</u>	<u>\$ 1,164,364</u>	<u>\$ 3,372,293</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, 2014

	<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>
Revenues:					
Federal sources	\$ 112,515	\$ -	\$ -	\$ -	\$ 112,515
Other state sources	5,871	-	-	-	5,871
Other local sources	<u>7,242</u>	<u>27,709</u>	<u>2,115</u>	<u>6,050</u>	<u>43,116</u>
Total revenues	<u>125,628</u>	<u>27,709</u>	<u>2,115</u>	<u>6,050</u>	<u>161,502</u>
Expenditures:					
Books and supplies	106,314	-	-	-	106,314
Contract services and other operating expenditures	-	20,128	-	-	20,128
Other outgo	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,000</u>
Total expenditures	<u>109,314</u>	<u>20,128</u>	<u>-</u>	<u>-</u>	<u>129,442</u>
Excess of revenues over expenditures	<u>16,314</u>	<u>7,581</u>	<u>2,115</u>	<u>6,050</u>	<u>32,060</u>
Other financing (uses) sources:					
Operating transfers in	-	930,016	-	415,058	1,345,074
Operating transfers out	<u>(12,390)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,390)</u>
Total other financing (uses) sources	<u>(12,390)</u>	<u>930,016</u>	<u>-</u>	<u>415,058</u>	<u>1,332,684</u>
Net change in fund balances	3,924	937,597	2,115	421,108	1,364,744
Fund balances, July 1, 2013	<u>80,641</u>	<u>1,015,236</u>	<u>136,868</u>	<u>743,256</u>	<u>1,976,001</u>
Fund balances, June 30, 2014	<u>\$ 84,565</u>	<u>\$ 1,952,833</u>	<u>\$ 138,983</u>	<u>\$ 1,164,364</u>	<u>\$ 3,340,745</u>

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

ALL AGENCY FUNDS

For the Year Ended June 30, 2014

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
<u>Student Body</u>				
Assets:				
Cash on hand and in banks	\$ 55,805	\$ 161,178	\$ 167,820	\$ 49,163
Liabilities:				
Due to student groups	\$ 55,805	\$ 161,178	\$ 167,820	\$ 49,163

MENLO PARK CITY SCHOOL DISTRICT

ORGANIZATION

June 30, 2014

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>
Joan Lambert	President	December 2014
Maria Hilton	Vice President/Clerk	December 2016
Jeff Child	Member	December 2016
Terry Thygesen	Member	December 2014
Scott Hinshaw	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, 2014

	<u>Second Period Report</u>	<u>Annual Report</u>
Transitional Kindergarten	27	27
First through Third	1,214	1,214
Fourth through Sixth	847	847
Seventh and Eighth	542	542
Special Education	<u>7</u>	<u>6</u>
Totals	<u><u>2,637</u></u>	<u><u>2,636</u></u>

See accompanying notes to supplementary information.

MENLO PARK CITY SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME

For the Year Ended June 30, 2014

<u>Grade Level</u>	<u>Statutory 1986-87 Minutes Require- ment</u>	<u>Reduced 1986-87 Minutes Require- ment</u>	<u>2013-2014 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Kindergarten	36,000	35,000	42,360	180	In Compliance
Grade 1	50,400	49,000	53,080	180	In Compliance
Grade 2	50,400	49,000	53,080	180	In Compliance
Grade 3	50,400	49,000	53,080	180	In Compliance
Grade 4	54,000	52,500	55,230	180	In Compliance
Grade 5	54,000	52,500	55,230	180	In Compliance
Grade 6	54,000	52,500	56,048	180	In Compliance
Grade 7	54,000	52,500	56,048	180	In Compliance
Grade 8	54,000	52,500	56,048	180	In Compliance

See accompanying notes to supplementary information.

MENLO PARK CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
For the Year Ended June 30, 2014

<u>Federal Catalog Number</u>	<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Education - Passed through California Department of Education</u>			
	Special Education Cluster:		
84.027	IDEA Basic Local Assistance Entitlement, Part B	13379	\$ 414,231
84.027	IDEA Preschool Local Entitlement, Part B, Sec 611	13682	29,951
84.027	IDEA Local Assistance, Part B, Sec 611	13682	34,611
84.173	IDEA Preschool Grants, Part B, Section 619	13430	16,104
84.173A	IDEA Preschool Staff Development Part B, Section 619	13431	<u>177</u>
	Subtotal Special Education Cluster		<u>495,074</u>
84.010	NCLB: Title I, Part A, Basic Grants to Low-Income and Neglected	14329	51,591
84.365	NCLB: Title III, Limited English Proficient (LEP) Student Program	10084	10,933
84.367	NCLB: Title II, Part A, Improving Teacher Quality Local Grants	14341	<u>36,105</u>
	Total U.S. Department of Education		<u>593,703</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>112,515</u>
	Total Federal Programs		<u>\$ 706,218</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, 2014

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

See accompanying notes to supplementary information.

MENLO PARK CITY SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS

**For the Year Ended June 30, 2014
(UNAUDITED)**

	<u>(Budget)</u> <u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<u>General Fund</u>				
Revenues and other financing sources	\$ 38,177,977	\$ 38,762,914	\$ 35,721,953	\$ 31,975,544
Expenditures	38,728,246	38,057,754	33,332,243	30,823,132
Other uses and transfers out	<u>914,435</u>	<u>1,345,074</u>	<u>1,327,504</u>	
Total outgo	<u>39,642,681</u>	<u>39,402,828</u>	<u>34,659,747</u>	<u>30,823,132</u>
Change in fund balance	<u>\$ (1,464,704)</u>	<u>\$ (639,914)</u>	<u>\$ 1,062,206</u>	<u>\$ 1,152,412</u>
Ending fund balance	<u>\$ 14,990,085</u>	<u>\$ 16,454,789</u>	<u>\$ 17,094,703</u>	<u>\$ 16,032,497</u>
Available reserves	<u>\$ 6,220,522</u>	<u>\$ 6,771,006</u>	<u>\$ 6,325,714</u>	<u>\$ 5,447,676</u>
Designated for economic uncertainties	<u>\$ 6,220,522</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Undesignated fund balance	<u>\$ -</u>	<u>\$ 6,771,006</u>	<u>\$ 6,325,714</u>	<u>\$ 5,447,676</u>
Available reserves as a percentage of total outgo	<u>15.69%</u>	<u>17.18%</u>	<u>18.26%</u>	<u>17.67%</u>
<u>All Funds</u>				
Total long-term liabilities	<u>\$ 136,504,556</u>	<u>\$ 138,973,244</u>	<u>\$ 114,779,345</u>	<u>\$ 111,298,028</u>
Average daily attendance at P-2	<u>2,646</u>	<u>2,637</u>	<u>2,521</u>	<u>2,444</u>

The General Fund, including the Special Reserve for Other than Capital Outlay Fund and the Special Reserve for Other Post Employment Benefits Fund, fund balance has increased by \$1,574,704 over the past three fiscal years. The District projects a decrease of \$1,464,704 for the year ending June 30, 2015. For a district this size, the State of California recommends available reserves of at least 3% of total General Fund expenditures, transfers out, and other uses be maintained. For the year ended June 30, 2014, the District has met this requirement.

The District has incurred operating surpluses in two of the past three years, and anticipates incurring an operating deficit during the 2014-2015 fiscal year.

Total long-term liabilities have increased by \$27,675,216 over the past two years.

Average daily attendance has increased by 193 over the past two years. The District anticipates an increase of 9 ADA during the fiscal year ending June 30, 2015.

See accompanying notes to supplementary information.

MENLO PARK CITY SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

For the Year Ended June 30, 2014

<u>Charter Schools Chartered by District</u>	<u>Included in District Financial Statements, or Separate Report</u>
--	--

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 accrual basis of accounting.

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

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

E - Schedule of Financial Trends and Analysis (Unaudited)

This schedule provides information on the District's financial condition over the past three years and its anticipated condition for the 2014-2015 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, 2014, the District did not adopt this program.

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

Board of Trustees
 Menlo Park City School District
 Atherton, California

Report on Compliance with State Laws and Regulations

We have audited Menlo Park City School District's compliance with the types of compliance requirements described in the State of California's 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, 2014.

<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	10	Yes
Instructional Materials general requirements	8	Yes
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	Yes
Juvenile Court Schools	8	No, see below
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	Yes
After School Education and Safety Program:		
General requirements	4	No, see below
After school	5	No, see below
Before school	6	No, see below
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Contemporaneous Records of Attendance, for charter schools	8	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
Charter School Facility Grant Program	1	No, see below

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

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

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

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

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

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with state laws and regulations as listed above, of Menlo Park City School District. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the 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 above occurred. An audit includes examining, on a test basis, evidence about Menlo Park City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion with State Laws and Regulations

In our opinion, Menlo Park City School District complied, in all material respects, with the state laws and regulations referred to above for the year ended June 30, 2014. 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.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of compliance and the results of that testing based on the requirements of the *State of California's Standards and Procedures for Audits of California K-12 Local Educational Agencies*. Accordingly, this report is not suitable for any other purpose.


Crowe Horwath LLP

Sacramento, California
November 19, 2014

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

Board of Trustees
Menlo Park City School District
Atherton, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Menlo Park City School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Menlo Park City School District's basic financial statements, and have issued our report thereon dated November 19, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Menlo Park City School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Menlo Park City School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Menlo Park City School District's internal control.

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

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

We identified a deficiency in internal control that we have communicated to management as described in the accompanying Schedule of Audit Findings and Questioned Costs as Finding 2014-001.

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*.

Other Matter

Menlo Park City School District's response to the finding identified in our audit is included in the accompanying Schedule of Audit Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Crowe Horwath LLP

Sacramento, California
November 19, 2014

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

Board of Trustees
Menlo Park City School District
Atherton, California

Report on Compliance for Each Major Federal Program

We have audited Menlo Park City School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Menlo Park City School District's major federal programs for the year ended June 30, 2014. Menlo Park City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Menlo Park City School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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



Crowe Horwath LLP

Sacramento, California
November 19, 2014

FINDINGS AND RECOMMENDATIONS

MENLO PARK CITY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	___X___ No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	___X___ None reported

Noncompliance material to financial statements noted? _____ Yes ___X___ No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified?	_____ Yes	___X___ No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	___X___ None reported

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

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

Identification of major programs:

_____ CFDA Number(s) _____	_____ Name of Federal Program or Cluster _____
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? _____ Yes ___X___ No

STATE AWARDS

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

MENLO PARK CITY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

2014-001 DEFICIENCY - ASSOCIATED STUDENT BODY (ASB) ACCOUNTING (30000)

Criteria

Management review of transaction is an essential element of an effective system of internal control over financial report.

Condition

- The Hillview Middle School ASB does not issue receipts or keep receipt books for sales.
- Supporting documentation for cash deposits with records of receipts was not maintained.
- The ASB checking account is reconciled by the site Accountant with no documented review by an individual separate from the function of check disbursements.

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 enforce procedures to provide for adequate review of transactions and documents related to Hillview ASB records:

- The site Accountant or other individual with responsibility over ASB funds should issue receipts for every sale and supporting documentation of receipts should be maintained for each cash deposit.
- The Principal should be reviewing the site Accountant's monthly bank reconciliation, and the review should be documented with a signature or initials, and date.

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, 2014

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

MENLO PARK CITY SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
(Continued)
Year Ended June 30, 2014

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, 2014

Finding/Recommendation	Current Status	District Explanation If Not Implemented
<p>2013-01</p> <ul style="list-style-type: none">• The Hillview Middle School ASB does not issue receipts or keep receipt books for sales.• Supporting documentation for cash deposits with records of receipts was not maintained.• The ASB checking account is reconciled by the site accountant with no documented review by an individual separate from the function of check disbursements. The site accountant is an authorized signer on the account, and dual signatures are not required by the bank for checks written from the account.	<p>Not implemented.</p>	<p>See current year finding 2014-01.</p>
<p>The District should enforce procedures to provide for adequate review of transactions and documents related to Hillview ASB records:</p>		
<ul style="list-style-type: none">• The site accountant or other individual with responsibility over ASB funds should issue receipts for every sale and supporting documentation of receipts should be maintained for each cash deposit.• The Principal should be reviewing the site accountant's monthly bank reconciliation, and the review should be documented with a signature or initials, and date.		