

**MENLO PARK CITY SCHOOL DISTRICT**  
COUNTY OF SAN MATEO  
MENLO PARK, CALIFORNIA

AUDIT REPORT

JUNE 30, 2018



**CHAVAN & ASSOCIATES, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS  
1475 SARATOGA AVE., SUITE 180  
SAN JOSE, CA 95129

**Menlo Park City School District**  
County of San Mateo

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**FINANCIAL  
SECTION**



## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Board of Trustees  
Menlo Park City School District  
Menlo Park, 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 the Menlo Park City School District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

District 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 District'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 District'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 the District, as of June 30, 2018 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of a Matter**

### *Deficit Net Position*

As of June 30, 2018, the District's net position in its Government-wide financial statements was at a deficit mostly because of the long-term pension liabilities and deferrals as reported in Note 7 and Note 8. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Change in Accounting Principle*

As discussed in Note 1 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). The District currently funds this obligation on a pay-as-you go basis and through contributions to a trust. The District anticipates that its ongoing funding and current resources are sufficient to meet its obligations as they come due. Our opinion is not modified with respect to this matter.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of CalPERS pension contributions, schedule of CalPERS proportionate share of net pension liability, schedule of STRS pension contributions, schedule of STRS proportionate share of net pension liability, schedule of contributions for other postemployment benefits, and schedule of changes in net OPEB liability, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not



provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements, organization schedule, schedule of average daily attendance, schedule of instructional time offered, schedule of charter schools, schedule of financial trends and analysis, schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards*, and the reconciliation of the Annual Financial Budget report to the audited financial statements, as required by the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards, schedule of average daily attendance, schedule of instructional time offered, and the reconciliation of the Annual Financial Budget report to the audited financial statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Except for the schedule of financial trends and analysis, such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards, schedule of average daily attendance, schedule of instructional time offered, and the reconciliation of the Annual Financial Budget report to the audited financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The organization schedule, schedule of charter schools and schedule of financial trends and analysis included have 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 them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2018 on our consideration of The District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on



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compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The District's internal control over financial reporting and compliance.

*C & A LLP*

November 18, 2018  
San Jose, California



## *Management's Discussion and Analysis*

**Menlo Park City School District**  
**Management's Discussion and Analysis**  
**June 30, 2018**

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This discussion and analysis of Menlo Park City School District's (the District's) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

### **Financial Highlights**

Key financial highlights for the fiscal year 2018 are as follows:

- Total net position decreased by \$650,398 (5%) from June 30, 2017 to June 30, 2018, mainly due to an increase in net pension obligations of \$3,925,019, the net OPEB liability of \$6,421,003, current year increases to accreted interest of \$1,293,809, and a decrease to beginning accreted interest of \$3,686,568.
- The District recorded deferred outflows of resources of \$37,510,290 and deferred inflows of resources of \$5,385,054 as required by GASB 68 and GASB 75 for pension and other postemployment benefit accounting and reporting. Deferred outflows of resources are technically not assets but increase the Statement of Net Position similar to an asset and deferred inflows of resources are technically not liabilities but decrease the Statement of Net Position similar to liabilities. See Note 1 in the notes to financial statements for a definition.
- The District had \$58,679,742 in government-wide expenses which is 101% of total government-wide revenues. Program specific revenues in the form of operating grants and contributions and charges for services accounted for \$4,093,673, or 7%, of the total revenues of \$58,051,071.
- General revenue of \$54,032,800 which includes property taxes, unrestricted federal and state grants and LCFF sources, was 93% of total revenues in 2018 versus 93% in 2017.
- The fund balances of all funds increased by \$1,689,160, which is a 8% increase from 2017.
- Total governmental fund revenues and expenditures totaled \$58,249,072 and \$56,499,999, respectively.

### **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 government-wide financial statements and provide information about the activities of the entire 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 by far the most significant fund.

**Menlo Park City School District**  
**Management's Discussion and Analysis**  
**June 30, 2018**

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

### **Overview of the Financial Statements**

The full annual financial report is a product of three separate parts: the basic financial statements, supplementary information, and this section, the Management Discussion and Analysis. These 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, Government-wide and funds.

- Government-wide financial statements, which comprise the first two statements, 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 financials, which are included in 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.

### **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 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting practices used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses, regardless of when cash is received or paid.

These two statements report the District's net position and changes in those assets. 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, and required educational programs.

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 has business-type activities for its child care program which is reported in an enterprise fund and in the government-wide financial statements.

**Menlo Park City School District**  
Management's Discussion and Analysis  
June 30, 2018

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**Reporting the District's Most Significant Funds**

*Fund Financial Statements*

The analysis of the District's major funds begins with the Balance Sheet. 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 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.

*Proprietary Funds*

Services for which the District charges a fee are generally reported in proprietary funds on a full accrual basis. The District has one proprietary fund, an Enterprise Fund, which is reported separately from the Governmental Funds. The Enterprise Fund is used to account for fee-based Early Learning Center Child Care Program operations.

*Fiduciary Funds*

The District is the trustee, or fiduciary, for its scholarship and student activity funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**Menlo Park City School District**  
**Management's Discussion and Analysis**  
**June 30, 2018**

**The District as a Whole**

Recall that the Statement of Net Position provides a perspective of the District as a whole. Table 1 provides a summary of the District's net position as of June 30, 2018 compared to June 30, 2017:

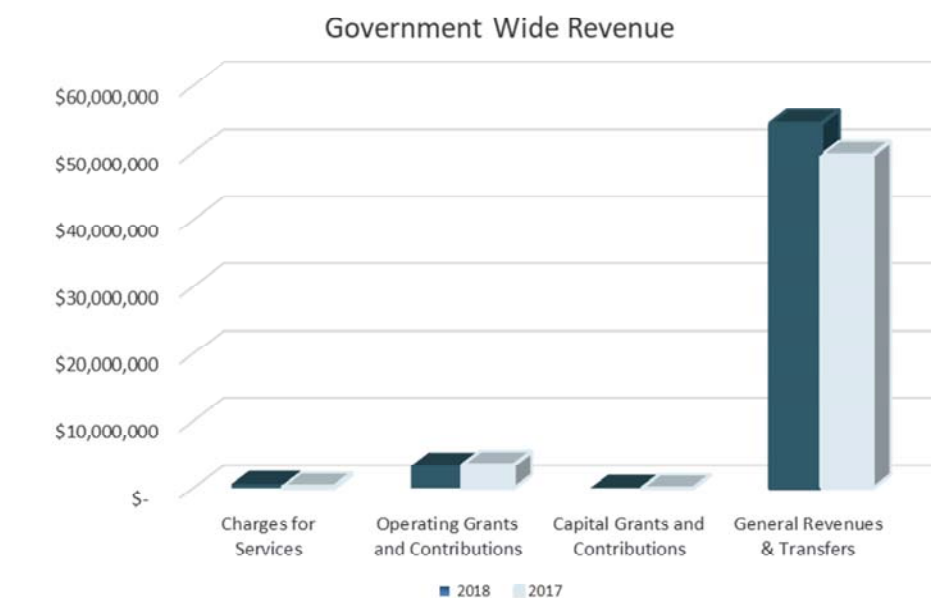
<b>Table 1 - Summary of Net Position</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Assets</b>						
Current and Other Assets	\$ 24,150,140	\$ 22,950,299	\$ 139,253	\$ -	\$ 24,289,393	\$ 22,950,299
Capital Assets	136,884,955	140,010,752	-	-	136,884,955	140,010,752
<b>Total Assets</b>	<b>\$161,035,095</b>	<b>\$ 162,961,051</b>	<b>\$ 139,253</b>	<b>\$ -</b>	<b>\$ 161,174,348</b>	<b>\$ 162,961,051</b>
<b>Deferred Outflows</b>	<b>\$ 37,510,290</b>	<b>\$ 29,990,235</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 37,510,290</b>	<b>\$ 29,990,235</b>
<b>Liabilities</b>						
Current Liabilities	\$ 2,620,501	\$ 3,356,127	\$ 1,166	\$ -	\$ 2,621,667	\$ 3,356,127
Long-Term Liabilities	204,896,442	200,241,286	-	-	204,896,442	200,241,286
<b>Total Liabilities</b>	<b>\$207,516,943</b>	<b>\$ 203,597,413</b>	<b>\$ 1,166</b>	<b>\$ -</b>	<b>\$ 207,518,109</b>	<b>\$ 203,597,413</b>
<b>Deferred Inflows</b>	<b>\$ 5,385,054</b>	<b>\$ 2,922,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,385,054</b>	<b>\$ 2,922,000</b>
<b>Net Position</b>						
Net Investment in Capital Assets	\$ 15,672,346	\$ 16,531,216	\$ -	\$ -	\$ 15,672,346	\$ 16,531,216
Restricted	9,153,980	9,374,053	138,087	-	9,292,067	9,374,053
Unrestricted	(39,182,938)	(39,473,396)	-	-	(39,182,938)	(39,473,396)
<b>Total Net Position</b>	<b>\$ (14,356,612)</b>	<b>\$ (13,568,127)</b>	<b>\$ 138,087</b>	<b>\$ -</b>	<b>\$ (14,218,525)</b>	<b>\$ (13,568,127)</b>

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**Management's Discussion and Analysis**  
**June 30, 2018**

Table 2 compares the components of changes in net position for the fiscal year 2018 versus 2017:

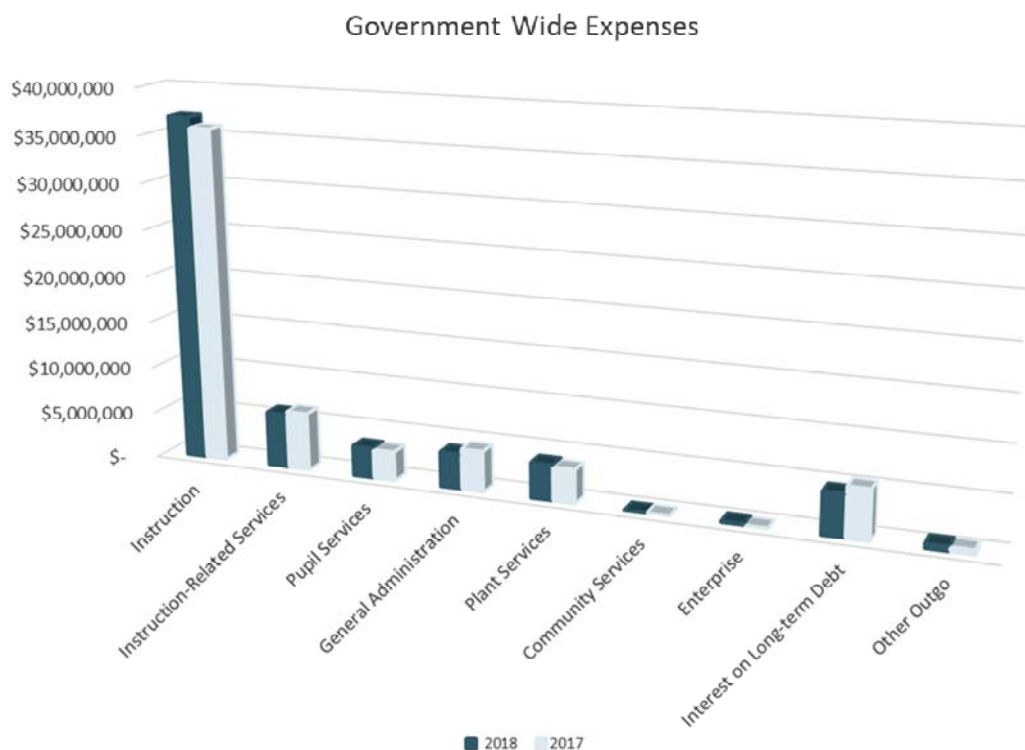
Table 2 - Change in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 577,166	\$ 287,407	\$ 75,402	\$ -	\$ 652,568	\$ 287,407
Operating Grants and Contributions	3,389,298	3,517,652	-	-	3,389,298	3,517,652
Capital Grants and Contributions	51,807	-	-	-	51,807	-
General Revenues & Transfers	54,032,800	49,605,158	198,378	-	54,231,178	49,605,158
<b>Total Revenues</b>	<b>58,051,071</b>	<b>53,410,217</b>	<b>273,780</b>	<b>-</b>	<b>58,324,851</b>	<b>53,410,217</b>
<b>Program Expenses</b>						
Instruction	36,937,312	35,863,728	-	-	36,937,312	35,863,728
Instruction-Related Services	5,863,503	6,194,252	-	-	5,863,503	6,194,252
Pupil Services	3,253,623	3,129,856	-	-	3,253,623	3,129,856
General Administration	3,776,945	4,357,822	-	-	3,776,945	4,357,822
Plant Services	3,817,654	3,599,864	-	-	3,817,654	3,599,864
Community Services	975	-	-	-	975	-
Enterprise	-	-	135,693	-	135,693	-
Interest on Long-term Debt	4,507,816	5,307,398	-	-	4,507,816	5,307,398
Other Outgo	521,914	475,168	-	-	521,914	475,168
<b>Total Expenses</b>	<b>58,679,742</b>	<b>58,928,088</b>	<b>135,693</b>	<b>-</b>	<b>58,815,435</b>	<b>58,928,088</b>
<b>Change in Net Position</b>	<b>(628,671)</b>	<b>(5,517,871)</b>	<b>138,087</b>	<b>-</b>	<b>(490,584)</b>	<b>(5,517,871)</b>
<b>Beginning Net Position</b>	<b>(13,568,127)</b>	<b>(8,050,256)</b>	<b>-</b>	<b>-</b>	<b>(13,568,127)</b>	<b>(8,050,256)</b>
Prior Period Adjustments	(159,814)	-	-	-	(159,814)	-
<b>Ending Net Position</b>	<b>\$ (14,356,612)</b>	<b>\$ (13,568,127)</b>	<b>\$ 138,087</b>	<b>\$ -</b>	<b>\$ (14,218,525)</b>	<b>\$ (13,568,127)</b>

The following chart compares government-wide revenue by category for 2018 and 2017:



**Menlo Park City School District**  
**Management's Discussion and Analysis**  
June 30, 2018

The next chart compares government-wide expenses by category for 2018 and 2017:



### Governmental Activities

Direct Instruction, Instruction-Related Services, and Pupil Services represent 78% of total expenses in 2018 versus 77% in 2017. The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services and identifies the cost of these services supported by revenues.

Table 3 - Net Cost of Services				
Function	2018	2017	Increase (Decrease)	Percent
Instruction	\$ 34,412,420	\$ 33,281,958	\$ 1,130,462	3.4%
Instruction-Related Services	5,638,161	5,939,292	(301,131)	-5.1%
Pupil Services	2,551,946	2,598,893	(46,947)	-1.8%
General Administration	3,691,473	4,302,828	(611,355)	-14.2%
Plant Services	3,674,372	3,453,772	220,600	6.4%
Community Services	975	-	975	100.0%
Interest on Long-term Debt	4,507,816	5,307,398	(799,582)	-15.1%
Other	184,308	238,888	(54,580)	-22.8%
<b>Total Net Cost of Services</b>	<b>\$ 54,661,471</b>	<b>\$ 55,123,029</b>	<b>\$ (461,558)</b>	<b>-0.8%</b>



**Menlo Park City School District**  
**Management's Discussion and Analysis**  
June 30, 2018

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**The District's Funds**

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

<b>Table 4 - Change in Fund Balances</b>				
<b>Funds</b>	<b>2018</b>	<b>2017</b>	<b>Increase (Decrease)</b>	<b>Percent</b>
General Fund	\$ 14,578,765	\$ 13,958,960	\$ 619,805	4.4%
Bond Interest and Redemption Fund	5,621,134	5,316,327	304,807	5.7%
Nonmajor Governmental Funds	3,179,740	2,553,279	626,461	24.5%
Enterprise Fund	138,087	-	138,087	100.0%
<b>Total Fund Balances</b>	<b>\$ 23,517,726</b>	<b>\$ 21,828,566</b>	<b>\$ 1,689,160</b>	<b>7.7%</b>

**Capital Assets**

Table 5 shows June 30, 2018 capital asset balances compared to June 30, 2017:

<b>Table 5 Summary of Capital Assets Net of Depreciation</b>				
	<b>2018</b>	<b>2017</b>		
<b>Capital Asset</b>	<b>Net Capital Assets</b>	<b>Net Capital Assets</b>	<b>Increase (Decrease)</b>	<b>Percent</b>
Land	\$ 189,638	\$ 189,638	\$ -	0.0%
Work-in-Progress	87,602	47,320	40,282	85.1%
Site Improvements	478,671	541,632	(62,961)	-11.6%
Buildings	135,594,964	138,675,748	(3,080,784)	-2.2%
Equipment	534,080	556,414	(22,334)	-4.0%
<b>Totals</b>	<b>\$ 136,884,955</b>	<b>\$ 140,010,752</b>	<b>\$ (3,125,797)</b>	<b>-2.2%</b>

See Note 4 for additional information related to the changes in capital assets.



**Menlo Park City School District**  
Management's Discussion and Analysis  
June 30, 2018

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## Long Term Debt

Table 6 reports the balance and changes of long-term liabilities during the fiscal year 2018.

Table 6 - Long-term Debt					
Type of Debt	2018	2017	Increase (Decrease)	Percent	
General Obligation Bonds	\$ 143,885,792	\$ 149,614,477	\$ (5,728,685)	-3.8%	
Net Pension Obligations	54,320,019	50,395,000	3,925,019	7.8%	
Net OPEB Liability	6,421,003	-	6,421,003	100.0%	
Compensated absences	269,628	231,809	37,819	16.3%	
<b>Total Debt</b>	<b>\$ 204,896,442</b>	<b>\$ 200,241,286</b>	<b>\$ 4,655,156</b>	<b>2.3%</b>	

The District implemented GASB 75 as of June 30, 2018, which required the District to record the entirety of its net OPEB liability. See Note 8 to the financial statements for additional information.

## General Fund Budgetary Highlights

The District's budget is prepared in accordance with California law and is based on the modified accrual basis of accounting. Over the course of the year, the District revised its budget based on updated financial information. The original budget, approved at the end of June for July 1, is based on May Revised figures and updated 45 days after the State approves its final budget. In addition, the District revised its budget at First and Second Interim. The original budget presented in the required supplementary information section includes only new revenues for 2018. During the budget revision process the District accounts for prior year ending balances by budgeting to use the carryover. Budgeted revenue increased by \$1,065,478 from adopted to final and budgeted expenditures increased by \$1,30,4020 from adopted to final during the year.

## Factors Bearing on the District's Future

The District is a community-funded district, deriving a majority of its revenue from local property taxes and very little funding from the State. As a community-funded district, student enrollment growth does not provide additional revenues as in State-funded districts and so presents a challenge, as does the general economy. Current projections predict flat enrollment for the next few years. The District's 2018-19 Adopted Budget included an increase in secured property tax, that portion of property tax generated from assessed values of land and structures, of an estimated 7.1%. While this reflects a healthy economy, it should be noted that property taxes are difficult to predict. The District relies on community support with generous contributions from its foundation and four parcel taxes. Three of these parcel taxes are evergreen. On March 7, 2017, the community overwhelmingly approved a new seven-year parcel tax (Measure X) to renew and increase the expiring parcel tax. Parcel Taxes and the Education Foundation represent about 23% of the District's revenues. The District maintains healthy reserves for economic uncertainty to weather economic adversity and to provide the fiscal flexibility to address such issues as they arise. The District has developed an economic stability plan through 2020/21 to maintain reserves above 15%.

**Menlo Park City School District**  
Management's Discussion and Analysis  
June 30, 2018

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**Contacting the District's Financial 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, 2018

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 23,009,387	\$ 137,465	\$ 23,146,852
Receivables	1,134,890	1,788	1,136,678
Prepaid expenses	5,863	-	5,863
Capital assets - net	136,884,955	-	136,884,955
Total Assets	<u>\$ 161,035,095</u>	<u>\$ 139,253</u>	<u>\$ 161,174,348</u>
<b>Deferred Outflows of Resources</b>			
Deferred loss from refunding of debt	\$ 16,397,696	\$ -	\$ 16,397,696
OPEB adjustments	653,622	-	653,622
Pension adjustments	20,458,972	-	20,458,972
Total Deferred Outflows of Resources	<u>\$ 37,510,290</u>	<u>\$ -</u>	<u>\$ 37,510,290</u>
<b>Liabilities</b>			
Accounts payable	\$ 728,592	\$ 1,166	\$ 729,758
Unearned revenue	41,909	-	41,909
Accrued interest	1,850,000	-	1,850,000
Long-term liabilities:			
Due within one year	3,243,387	-	3,243,387
Due after one year	201,653,055	-	201,653,055
Total Liabilities	<u>\$ 207,516,943</u>	<u>\$ 1,166</u>	<u>\$ 207,518,109</u>
<b>Deferred Inflows of Resources</b>			
Pension adjustments	\$ 5,385,054	\$ -	\$ 5,385,054
Total Deferred Inflows of Resources	<u>\$ 5,385,054</u>	<u>\$ -</u>	<u>\$ 5,385,054</u>
<b>Net Position</b>			
Net investment in capital assets	\$ 15,672,346	\$ -	\$ 15,672,346
Restricted for:			
Educational programs	1,862,842	-	1,862,842
Debt service	5,621,134	-	5,621,134
Facilities projects	51,932	-	51,932
Cafeteria programs	19,555	-	19,555
Deferred maintenance	1,598,517	-	1,598,517
Early Learning Center	-	138,087	138,087
Unrestricted	(39,182,938)	-	(39,182,938)
Total Net Position	<u>\$ (14,356,612)</u>	<u>\$ 138,087</u>	<u>\$ (14,218,525)</u>

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

**Menlo Park City School District**  
Statement of Activities  
For the Fiscal Year Ended June 30, 2018

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction	\$ 36,937,312	\$ 115,595	\$ 2,357,490	\$ 51,807	\$ (34,412,420)	\$ -	\$ (34,412,420)
Instruction-related services:							
Supervision of instruction	2,111,814	13,862	83,322	-	(2,014,630)	-	(2,014,630)
Instruction library, media and technology	985,368	1,158	38,116	-	(946,094)	-	(946,094)
School site administration	2,766,321	4,082	84,802	-	(2,677,437)	-	(2,677,437)
Pupil services:							
Home-to-school transportation	315,973	-	-	-	(315,973)	-	(315,973)
Food services	714,747	394,489	120,291	-	(199,967)	-	(199,967)
All other pupil services	2,222,903	20,866	166,031	-	(2,036,006)	-	(2,036,006)
General administration:							
Data processing	929,763	-	37,038	-	(892,725)	-	(892,725)
All other general administration	2,847,182	20,662	27,772	-	(2,798,748)	-	(2,798,748)
Plant services	3,817,654	-	143,282	-	(3,674,372)	-	(3,674,372)
Community services	975	-	-	-	(975)	-	(975)
Other outgo	521,914	6,452	331,154	-	(184,308)	-	(184,308)
Interest on long-term debt	4,507,816	-	-	-	(4,507,816)	-	(4,507,816)
Total governmental activities	<u>\$ 58,679,742</u>	<u>\$ 577,166</u>	<u>\$ 3,389,298</u>	<u>\$ 51,807</u>	<u>\$ (54,661,471)</u>		<u>\$ (54,661,471)</u>
Business-type activities:							
Enterprise activities	<u>\$ 135,693</u>	<u>\$ 75,402</u>	<u>\$ -</u>	<u>\$ -</u>		<u>(60,291)</u>	<u>(60,291)</u>
General revenues:							
Taxes and subventions:							
Taxes levied for general purposes					31,465,354	-	31,465,354
Taxes levied for debt service					6,450,192	-	6,450,192
Taxes levied for other specific purposes					8,153,158	-	8,153,158
Federal and state aid not restricted to specific purposes					2,895,065	-	2,895,065
Interest and investment earnings					239,294	378	239,672
Miscellaneous					5,027,737	-	5,027,737
Transfers					(198,000)	198,000	-
Total general revenues and transfers					<u>54,032,800</u>	<u>198,378</u>	<u>54,231,178</u>
Change in net position					<u>(628,671)</u>	<u>138,087</u>	<u>(490,584)</u>
Net position beginning					(13,568,127)	-	(13,568,127)
Prior period adjustment - OPEB GABS 75					(5,993,585)	-	(5,993,585)
Prior period adjustment - pensions					2,147,203	-	2,147,203
Prior period adjustment - accreted interest					3,686,568	-	3,686,568
Net position beginning, as adjusted					<u>(13,727,941)</u>	<u>-</u>	<u>(13,727,941)</u>
Net position ending					<u>\$ (14,356,612)</u>	<u>\$ 138,087</u>	<u>\$ (14,218,525)</u>

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

**Menlo Park City School District**

Governmental Funds

Balance Sheet

June 30, 2018

	General Fund	Bond Interest & Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments	\$ 14,270,936	\$ 5,599,864	\$ 3,138,587	\$ 23,009,387
Accounts receivable	938,900	21,270	174,720	1,134,890
Due from other funds	26,066	-	-	26,066
Prepaid expenses	5,863	-	-	5,863
<b>Total Assets</b>	<u>\$ 15,241,765</u>	<u>\$ 5,621,134</u>	<u>\$ 3,313,307</u>	<u>\$ 24,176,206</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 621,091	\$ -	\$ 107,501	\$ 728,592
Due to other funds	-	-	26,066	26,066
Unearned revenue	41,909	-	-	41,909
<b>Total Liabilities</b>	<u>663,000</u>	<u>-</u>	<u>133,567</u>	<u>796,567</u>
<b>Fund balances:</b>				
Nonspendable:				
Revolving fund	5,000	-	-	5,000
Prepaid expenditures	5,863	-	-	5,863
Restricted for:				
Educational programs	1,862,842	-	-	1,862,842
Cafeteria programs	-	-	19,555	19,555
Debt service	-	5,621,134	-	5,621,134
Facilities projects	-	-	51,932	51,932
Deferred maintenance	-	-	1,598,517	1,598,517
Assigned for:				
Parcel tax	417,500	-	-	417,500
Instructional materials	855,090	-	-	855,090
Extended Technology (TOSA)	150,000	-	-	150,000
Early Learning Center	55,300	-	-	55,300
Capital projects	-	-	1,509,736	1,509,736
Fields	59,323	-	-	59,323
Foundation and site grants	27,334	-	-	27,334
Strategic direction	1,564,547	-	-	1,564,547
Unassigned:				
Reserve for economic uncertainties	9,575,966	-	-	9,575,966
<b>Total Fund Balances</b>	<u>14,578,765</u>	<u>5,621,134</u>	<u>3,179,740</u>	<u>23,379,639</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 15,241,765</u>	<u>\$ 5,621,134</u>	<u>\$ 3,313,307</u>	<u>\$ 24,176,206</u>

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

**Menlo Park City School District**  
Reconciliation of the Governmental Funds  
Balance Sheet to the Statement of Net Position  
June 30, 2018

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Total fund balances - governmental funds	\$ 23,379,639
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital assets at cost	\$ 168,535,327	
Accumulated depreciation	<u>(31,650,372)</u>	136,884,955

In governmental funds, interest on long-term debt 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. The accrued interest at the end of the period was:

(1,850,000)

Deferred outflows of resources include amounts that will not be included in the calculation of the District's net pension liability of the plan year included in this report such as current fiscal year contributions as recorded in the fund statements.

20,458,972

The differences from pension plan assumptions in actuarial valuations are not included in the plan's actuarial study until the next fiscal year and are reported as deferred inflows of resources in the Statement of Net Position.

(5,385,054)

OPEB adjustments:

Contributions subsequent to the measurement date	653,622
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Losses on refundings of debt are categorized as deferred outflows and are amortized over the shortened life of therefunded or refunding debt.

16,397,696

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

General obligation bonds	\$ 143,885,792	
Net pension obligations	54,320,019	
Net OPEB liability	6,421,003	
Compensated absences	<u>269,628</u>	<u>(204,896,442)</u>

Total net position - governmental activities	<u>\$ (14,356,612)</u>
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*The notes to basic financial statements are an integral part of this statement*

**Menlo Park City School District**  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Fiscal Year Ended June 30, 2018

	General Fund	Bond Interest & Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
LCFF Sources	\$ 32,699,962	\$ -	\$ -	\$ 32,699,962
Federal	646,355	-	119,372	765,727
Other state	2,896,314	13,679	719,027	3,629,020
Other local	13,625,986	6,473,128	1,055,249	21,154,363
Total revenues	49,868,617	6,486,807	1,893,648	58,249,072
Expenditures:				
Instruction	33,542,809	-	-	33,542,809
Instruction-related services:				
Supervision of instruction	2,082,979	-	-	2,082,979
Instruction library, media and technology	971,914	-	-	971,914
School site administration	2,728,549	-	-	2,728,549
Pupil services:				
Home-to-school transportation	311,659	-	-	311,659
Food services	-	-	497,660	497,660
All other pupil services	2,192,551	-	-	2,192,551
General administration:				
Data processing	917,068	-	-	917,068
All other general administration	2,485,535	-	26,066	2,511,601
Plant services	3,295,834	-	743,461	4,039,295
Other outgo	-	975	-	975
Transfers between agencies	521,914	-	-	521,914
Debt service:				
Principal	-	3,014,351	-	3,014,351
Interest and fees	-	3,166,674	-	3,166,674
Total expenditures	49,050,812	6,182,000	1,267,187	56,499,999
Excess (deficiency) of revenues over (under) expenditures	817,805	304,807	626,461	1,749,073
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(198,000)	-	-	(198,000)
Total other financing sources (uses)	(198,000)	-	-	(198,000)
Changes in fund balances	619,805	304,807	626,461	1,551,073
Fund balances beginning	13,958,960	5,316,327	2,553,279	21,828,566
Fund balances ending	\$ 14,578,765	\$ 5,621,134	\$ 3,179,740	\$ 23,379,639

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



**Menlo Park City School District**  
Reconciliation of the Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balance  
to the Statement of Activities  
For the Fiscal Year Ended June 30, 2018

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Total net change in fund balances - governmental funds	\$ 1,551,073
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Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital assets additions of \$285,891 was less than depreciation expense of \$3,125,797 in the period.

(3,125,797)

The governmental funds report long-term debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. Also, governmental funds report the effect of prepaid issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of long-term debt and related items is as follows:

General obligation bond principal	\$ 3,014,351	
Loss on defeasance	(922,456)	
Accreted Interest	(1,293,809)	
Amortization of bond premiums	321,575	1,119,661

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

553,548

In the statement of activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid). This year vacation earned was less than vacation used.

(37,819)

In governmental funds, actual contributions to pension plans are reported as expenditures in the year incurred. However, in the government-wide Statement of Activities, only the current year pension expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.

(746,386)

In governmental funds, actual contributions to pension and OPEB plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year pension OPEB expense as noted in the plan's valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.

57,049

Change in net position of governmental activities	\$ (628,671)
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*The notes to basic financial statements are an integral part of this statement*

**Menlo Park City School District**

## Statement of Net Position

## Proprietary Funds

June 30, 2018

	<u>Enterprise Fund</u>
	<u>Early Learning Center</u>
<b>Assets</b>	
Current Assets:	
Cash and investments	\$ 137,465
Accounts receivable	1,788
	<u>                    </u>
Total Assets	<u>\$ 139,253</u>
<b>Liabilities</b>	
Current Liabilities:	
Accounts payable	\$ 1,166
	<u>                    </u>
Total Liabilities	<u>\$ 1,166</u>
<b>Net Position</b>	
Restricted	<u>\$ 138,087</u>
Total Net Position	<u>\$ 138,087</u>

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

**Menlo Park City School District**  
Statement of Activities  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2018

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	Enterprise Fund Early Learning Center
<b>Operating Revenues</b>	
Local revenue	\$ 75,402
Total Operating Revenue	<u>75,402</u>
<b>Operating Expenses</b>	
Certificated salaries	98,666
Classified salaries	4,030
Employee benefits	21,637
Books and supplies	5,377
Services and other operating expenses	5,983
Total Operating Expenses	<u>135,693</u>
Operating Income (Loss)	(60,291)
<b>Nonoperating Revenues (Expenses):</b>	
Interest income	<u>378</u>
Income Before Transfers	(59,913)
Transfers from Other Funds	<u>198,000</u>
<b>Change in Net Position</b>	138,087
<b>Beginning Net Position</b>	<u>-</u>
<b>Ending Net Position</b>	<u><u>\$ 138,087</u></u>

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

**Menlo Park City School District**

## Statement of Cash Flows

## Proprietary Funds

June 30, 2018

	Enterprise Fund Early Learning Center
<b>Cash Flows from Operating Activities</b>	
Cash received from services	\$ 73,614
Cash paid to employees	(123,167)
Cash paid for supplies and services	(11,360)
Net cash provided by (used for) operating activities	(60,913)
<b>Cash Flows from Noncapital Financing Activities</b>	
Transfers from other funds	198,000
Net cash provided by (used for) noncapital financing activities	198,000
<b>Cash Flows from Investing Activities</b>	
Interest income	378
Net cash provided by (used for) investing activities	378
Increase (Decrease) in Cash and Cash Equivalents	137,465
Cash and Cash Equivalents - Beginning	-
Cash and Cash Equivalents - Ending	\$ 137,465
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating income (loss)	\$ (60,291)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(1,788)
Increase (decrease) in accounts payable	1,166
Net cash provided by operating activities	\$ (60,913)

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

**Menlo Park City School District**  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2018

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	Student Body Agency Fund
	<hr/>
<b>Assets</b>	
Cash on hand and in banks	<hr/> \$         92,900
Total Assets	<hr/> <hr/> \$         92,900
<b>Liabilities</b>	
Due to student groups	<hr/> \$         92,900
Total Liabilities	<hr/> <hr/> \$         92,900

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

***Notes to the Basic Financial Statements***

## **1. SIGNIFICANT ACCOUNTING POLICIES**

### **A. Accounting Principles**

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

### **B. Reporting Entity**

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of five elected officials who, together, constitute the Board of Trustees. The District's combined financial statements include the accounts of all its operations and the District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board.

The financial reporting entity only consists of the primary government, the District. The District has evaluated whether any other entity should be included in these financial statements using the criteria established by GASB which requires local governments to report: (a) organizations for which the primary government is financially accountable, and (b) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, **and** either (a) the District has the ability to impose its will on the organization, or (b) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the District.

### **C. Basis of Presentation**

#### ***Government-wide Financial Statements:***

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

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a

**Menlo Park City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2018

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reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

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

***Fund Financial Statements:***

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

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

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the proprietary fund's Statement of Fund Net Position. The Statement of Revenue, Expenses, and Changes in Fund Net Position for proprietary funds presents increases (i.e., revenue) and decreases (i.e., expenditures) in net total assets. The statement of cash flows provides information about how the District Office finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Fiduciary funds are reported using the economic resources measurement focus.



**Menlo Park City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2018

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**D. Basis of Accounting**

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

**Revenues - Exchange and Non-exchange Transactions:**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

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

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

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

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

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

**Deferred Outflows/Inflows of Resources:**

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

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

**Unearned Revenue:**

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred inflows from unearned revenue. In the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been recorded as deferred inflows from unearned revenue.

**Expenses/Expenditures:**

Using the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service

**Menlo Park City School District**  
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expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**E. Fund Accounting**

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major, nonmajor, and fiduciary funds as follows:

**Major Governmental Funds:**

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. For financial reporting purposes, the current year activity and year end balances of the Special Reserve for Other than Capital Outlay Fund is combined with the General Fund.

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

*Proprietary funds* include one Enterprise Fund which is intended to be a self-supporting entity. The *Enterprise Fund* is used to account for revenue and expenses for a fee-based Early Learning Center Program.

**Fiduciary Funds:**

*Agency Funds* are used to account for assets of others for which the District acts as an agent. The District maintains an agency fund for the student body accounts. The student body funds are used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body.

**F. Budgets and Budgetary Accounting**

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

**Menlo Park City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2018

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

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts.

**G. Encumbrances**

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

**H. Benefit Plans**

*Pensions*

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

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined time frames. For this period, the following time frames were used:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Measurement Period	July 1, 2016 to June 30, 2017

*Other Postemployment Benefits Other Than Pensions (OPEB)*

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the District's Retiree Benefits Plan (the OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

**Menlo Park City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2018

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I. Assets, Liabilities, and Equity

a) Cash and Investments

Cash balances held in banks and in revolving funds are insured to \$250,000 by the Federal Deposit Insurance Corporation. In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash in the County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

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

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

b) Fair Value Measurements

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

- Market approach - This approach uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach - This technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach - This approach converts future amounts (such as cash flows) into a current discounted amount.

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

**Menlo Park City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2018

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c) Inventories and Prepaid Expenditures

*Inventories*

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

*Prepaid expenditures*

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

d) Capital Assets

Capital assets are those purchased or acquired with an original cost of \$5,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset’s life are not capitalized but are expensed as incurred.

Depreciation on all capital assets is computed using a straight-line basis over 5 to 30 years by asset type.

e) Unearned Revenue

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Unearned revenue is recorded as a deferred inflow to the extent that cash received on specific projects and programs exceeds qualified expenditures.

f) Compensated Absences

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

Accumulated sick leave benefits are not recognized as liabilities of the District. The District’s policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.



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Notes to Basic Financial Statements  
For the Year Ended June 30, 2018

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g) Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond premium or discount. Issuance costs are expensed in the period incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts are reported as other financing sources/uses.

h) Fund Balance Policy and Classifications

The District is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. The District's minimum fund balance policy requires a reserve for economic uncertainties, consisting of unassigned amounts, of 10 percent of general fund operating expenditures and other financing uses. The District was in compliance with this policy as of June 30, 2018. In accordance with Government Accounting Standards, the District classifies governmental fund balances as follows:

- Non-spendable includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. Committed fund balances are imposed by the District's board of education.
- Assigned includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. While the Board of Education has empowered members of management to suggest individual amounts to be assigned, as of June 30, 2018 no formal designation of assignment authority has occurred and the Board of Education retains ultimate authority for assigning fund balance.
- Unassigned includes positive fund balances within the general fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

**Menlo Park City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2018

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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.

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

i) Net Position

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

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

*Debt Service* restrictions reflect the cash balances in the debt service funds that are restricted for debt service payments by debt covenants.

*Categorical Program and Local Grant and Donation* restrictions reflect the amounts to be expended on specific school programs funded by federal and state resources and from locally funded programs with stipulated uses.

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

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



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Notes to Basic Financial Statements  
For the Year Ended June 30, 2018

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j) Local Control Funding Formula and Property Taxes

The Local Control Funding Formula (LCFF) creates base, supplemental, and concentration grants in place of most previously existing K–12 funding streams, including revenue limits and most state categorical programs. The revenue limit was a combination of local property taxes, state apportionments, and other local sources.

Until full implementation, local educational agencies (LEAs) will receive roughly the same amount of funding they received in 2012–13 plus an additional amount each year to bridge the gap between current funding levels and LCFF target levels. The budget projects the time frame for full implementation of the LCFF to be eight years.

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

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternate method of distribution prescribed by Section 4705 of the California *Revenue and Taxation Code*. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll - approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

k) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District has joined together with other school districts in the County to form the San Mateo County Schools Insurance Group ("SMCSIG") public entity risk pool. The District pays an annual premium for its property and casualty, workers' compensation, and liability insurance coverage. The Joint Powers Agreements provide that SMCSIG will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of self-insured levels.

There were no significant reductions in insurance coverage from coverage in the prior year and no insurance settlement exceeding insurance coverage.

**Menlo Park City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2018

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l) Accounting Estimates

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

m) 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.

n) Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through the date the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure.

J. Implemented New Accounting Pronouncements

**GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions**

The provisions in Statement 75 are effective for the fiscal year ended June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute

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For the Year Ended June 30, 2018

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that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity. In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

As of June 30, 2018, according to GASB 75, the District's net OPEB liability must be recognized. Therefore, the previous net OPEB liability as of June 30, 2017 in the amount of \$5,993,585 has been shown as a restatement of net position in the Statement of Activities as a separate line item.

**GASB Statement No. 86, Certain Debt Extinguishment Issues**

The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Earlier application is encouraged. This statement did not have an impact on the District's financial statements.

**K. Upcoming Accounting and Reporting Changes**

**GASB Statement No. 83, *Certain Asset Retirement Obligations***

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for financial

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For the Year Ended June 30, 2018

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statements for periods beginning after June 15, 2018. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

**GASB Statement No. 84, *Fiduciary Activities***

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

**GASB issued Statement No. 87, *Leases***

The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the fiscal year ending June 30, 2021. The District doesn't believe this statement will have a significant impact on the District's financial statements.

**GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements***

This Statement addresses additional information to be disclosed in the notes to the financial statements regarding debt, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2018. Earlier application is

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encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

**GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of the Construction Period**

This Statement addresses interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2019. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

**2. CASH AND INVESTMENTS**

A summary of cash and investments as of June 30, 2018 is as follows:

Description	Carrying Amount	Fair Value
<b>Government-Wide Statements:</b>		
Cash with County	\$ 23,139,721	\$ 23,035,129
Cash in revolving fund	5,000.00	5,000
Cash with Fiscal Agent	155	155
Total Cash Deposits	<u>23,144,876</u>	<u>23,040,284</u>
Investments:		
Local Agency Investment Fund	<u>1,976</u>	<u>1,976</u>
Total Cash and Investments	<u>\$ 23,146,852</u>	<u>\$ 23,042,260</u>
<b>Fiduciary Funds:</b>		
Cash on hand and in banks	<u>\$ 92,900</u>	<u>\$ 92,900</u>

*Cash in Banks and in Revolving Funds*

Cash balances in banks and revolving funds are insured up to \$250,000 per bank by the Federal Deposit Insurance Corporation ("FDIC"). These accounts are held within various financial institutions. As of June 30, 2018, the bank balances of the District's accounts were fully insured by FDIC.

**Menlo Park City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2018

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*Cash in County Treasury*

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

*Fair Value Measurements*

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

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

The District has the following recurring fair value measurements as of June 30, 2018:

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

*Policies and Practices*

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

*Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains cash with the County of San



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For the Year Ended June 30, 2018

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Mateo Investment Pool. The pool has a fair value of approximately \$1.468 billion and an amortized book value of \$1.475 billion.

*Credit Risk*

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

*Custodial Credit Risk - Deposits*

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

*Concentration of Credit Risk*

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

**3. ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following as of June 30, 2018:

	General	Bond Interest and	Nonmajor	
Receivables	Fund	Redemption Fund	Funds	Total
Federal government	\$ 205,425	\$ -	\$ 23,343	\$ 228,768
State Government	447,120	-	-	447,120
Other resources	286,355	21,270	151,377	459,002
Total Receivables	<u>\$ 938,900</u>	<u>\$ 21,270</u>	<u>\$ 174,720</u>	<u>\$ 1,134,890</u>

**Menlo Park City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2018

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#### 4. CAPITAL ASSETS AND DEPRECIATION

Capital asset activities for the year ended June 30, 2018 were as follows:

Capital Assets	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Land - not depreciable	\$ 189,638	\$ -	\$ -	\$ 189,638
Work-in-progress - not depreciable	47,320	87,602	(47,320)	87,602
Site improvements	2,480,072	10,179	-	2,490,251
Buildings	164,665,181	179,799	-	164,844,980
Equipment	867,225	55,631	-	922,856
Total capital assets	168,249,436	333,211	(47,320)	168,535,327
Less accumulated depreciation for:				
Site improvements	1,938,440	73,140	-	2,011,580
Buildings	25,989,433	3,260,583	-	29,250,016
Equipment	310,811	77,965	-	388,776
Total accumulated depreciation	28,238,684	3,411,688	-	31,650,372
Total capital assets - net depreciation	\$ 140,010,752	\$ (3,078,477)	\$ (47,320)	\$ 136,884,955

Depreciation expense was charged to the following governmental for the fiscal year ended June 30, 2018:

Instruction	\$ 2,892,345
Food services	210,198
All other general administration	300,812
Plant services	8,333
Total depreciation expense	<u>\$ 3,411,688</u>

#### 5. INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables (Due From/To), as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental funds are netted as part of the reconciliation to the government-wide financial statements.

##### *Interfund Transfers*

Interfund transfers consist of operating transfers from funds receiving revenues to funds through which the resources are to be expended. During the fiscal year ended June 30, 2018 the District transferred \$198,000 to the Early Learning Center enterprise fund to fund the opening of this child care facility.



**Menlo Park City School District**  
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## 6. LONG-TERM LIABILITIES

### *Schedule of Changes in Long-term Liabilities*

The following summarizes the District's changes in long-term debt for the fiscal year ended June 30, 2018:

Description	Balance July 01, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
General Obligation Bonds	\$ 149,614,477	\$ 1,684,458	\$ 7,413,143	\$ 143,885,792	\$ 3,243,387
Net Pension Obligations	50,395,000	13,848,310	9,923,291	54,320,019	-
Net OPEB Liability	-	7,839,604	1,418,601	6,421,003	-
Compensated Absences	231,809	37,819	-	269,628	-
Total Long-term Liabilities	<u>\$ 200,241,286</u>	<u>\$ 23,410,191</u>	<u>\$ 18,755,035</u>	<u>\$ 204,896,442</u>	<u>\$ 3,243,387</u>

Payments on bonds were made from the Bond Interest and Redemption Fund using local revenues. Compensated absences, pension obligations and net OPEB obligations were paid by the General Fund.

### *General Obligation Bonds Payable*

The following summarizes the bonds outstanding as of June 30, 2018:

Bond	Maturity Date	Interest Rate %	Original Issue	Bonds Outstanding July 01, 2017	Issued	Adjustments/ Redemptions	Bonds Outstanding June 30, 2018
Series 2008	2043	4.15-8	\$ 33,264,728	\$ 1,272,677	\$ -	\$ 615,804	\$ 656,873
Series 2010	2044	1.1-6.37	22,835,271	13,032,069	-	378,547	12,653,522
2012 Refunding	2031	2-5	31,395,000	27,660,000	-	1,125,000	26,535,000
Series 2014	2039	2-5	23,000,000	22,055,000	-	165,000	21,890,000
2014 Refunding	2043	3-4	39,010,000	39,010,000	-	-	39,010,000
2015 Refunding	2042	3.2-4.35	31,944,341	31,004,341	-	730,000	30,274,341
Subtotal General Obligation Bonds			181,449,340	134,034,087	-	3,014,351	131,019,736
Accreted Interest				8,398,005	1,684,458	4,077,217	6,005,246
Bond Premiums				7,182,385	-	321,575	6,860,810
Total General Obligation Bonds				<u>\$ 149,614,477</u>	<u>\$ 1,684,458</u>	<u>\$ 7,413,143</u>	<u>\$ 143,885,792</u>

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. In August 2014, the District issued 2015 and 2018 Crossover Refunding Bonds for the purpose of refunding certain maturities of the Series 2008 GO Bonds. In November 2015, the District issued 2015 GO Refunding Bonds for the purpose of refunding certain additional maturities of the outstanding Series 2008 GO Bonds.

In August 2014, the District issued 2014 General Obligation Refunding Bonds totaling \$39,010,000. The Bonds were comprised of two issuances, which included the 2015 Crossover Refunding Bonds of \$8,295,000, the proceeds of which were used to advance refund the outstanding balance of the Election of 2006, Series 2008 Current Interest Bonds, and 2018 Crossover Refunding Bonds of \$30,715,000, the proceeds of which were used to refund a portion

**Menlo Park City School District**  
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of the outstanding balance of the Election of 2006, Series 2008 Capital Appreciation Bonds.

In November 2015, the District issued 2015 General Obligation Refunding Bonds totaling \$31,944,341. Of the total issued, \$6,725,000 were issued as Current Interest Bonds, and \$25,219,341 were issued as Capital Appreciation Bonds. The proceeds of the 2015 GO Refunding Bonds were used to refund all of the outstanding 2005 GO Refunding Bonds, advance refund certain remaining maturities of the Election of 2006, Series 2008 Capital Appreciation Bonds, and advance refund certain remaining maturities of the Election of 2006, Series 2010 GO Bonds.

The proceeds of the Bonds were used to renovate and expand educational facilities and refund bonds previously issued.

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

For the Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 3,243,387	\$ 4,414,738	\$ 7,658,125
2020	2,786,272	3,987,178	6,773,450
2021	2,998,081	3,928,669	6,926,750
2022	3,214,738	3,874,687	7,089,425
2023	2,961,741	3,735,409	6,697,150
2024-2028	17,556,592	17,782,022	35,338,614
2029-2033	25,790,621	29,321,429	55,112,050
2034-2038	26,144,261	29,705,589	55,849,850
2039-2043	32,311,768	24,736,181	57,047,949
2044-2048	14,012,275	18,503,238	32,515,513
Total Debt Service	\$ 131,019,736	\$ 139,989,140	\$ 271,008,876

## 7. CALPERS PENSION PLAN

### *General Information about the PERS Pension Plan*

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

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

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Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<b>CalPERS</b>	
	<b>Classic</b>	<b>PEPRA</b>
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a % of eligible compensation	2.0% to 2.5%	2.00%
Required employee contribution rates	7.0%	6.0%
Required employer contribution rates	15.531%	15.531%

**Contributions** - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2018, the District's contributions were \$981,737.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	<b>Proportionate Share of Net Pension Liability/(Asset)</b>
CalPERS	<u>\$ 10,854,889</u>

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District increased beginning net position by \$1,117,642 to reduce its beginning CalPERS net pension obligation due to corrections in its proportionate share calculations.

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Notes to Basic Financial Statements  
For the Year Ended June 30, 2018

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The District's proportionate share of the net pension liability for the Plan as of June 30, 2017 and 2018 was as follows:

	<b>CalPERS</b>
Proportion - June 30, 2017	0.04280%
Proportion - June 30, 2018	0.04547%
Change - Increase/(Decrease)	<u>0.00267%</u>

For the year ended June 30, 2018, the District recognized pension expense of \$2,157,402 for the Plan.

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>CalPERS</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of Assumptions	\$ 1,585,527	\$ 127,803
Differences between Expected and Actual Experience	388,886	-
Differences between Projected and Actual Investment Earnings	375,505	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	7,718
Change in Employer's Proportion	452,198	111,867
Pension Contributions Made Subsequent to Measurement Date	981,737	-
<b>Total</b>	<u>\$ 3,783,853</u>	<u>\$ 247,388</u>

The District reported \$981,737 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<b>Fiscal Year Ending June 30:</b>	<b>Outflows/(Inflows) of Resources CalPERS</b>
2019	\$ 786,928
2020	1,118,187
2021	855,241
2022	(205,626)
2023	-
Thereafter	-
<b>Total</b>	<u>\$ 2,554,730</u>

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**Actuarial Assumptions** - The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	(1)
Investment Rate of Return	7.5% (2)
Mortality	(3)

(1) Varies by age and service

(2) Net of pension plan investment expenses, including inflation

(3) Derived using CalPERS' membership data for all funds

**Discount Rate** - The discount rate used to measure the total pension liability was 7.15 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	4.90%	5.38%
Fixed Income	19.00%	0.80%	2.27%
Inflation Sensitive	6.00%	0.60%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

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

	CalPERS
1% Decrease	6.15%
Net Pension Liability \$	15,971,020
Current	7.15%
Net Pension Liability \$	10,854,889
1% Increase	8.15%
Net Pension Liability \$	6,610,630

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

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

### *General Information about the STRS Pension Plan*

**Plan Description** - The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within

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the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information.

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

The Plan's provisions and benefits in effect at June 30, 2018, are summarized as follows:

	<b>CalSTRS</b>	
	Tier 1	Tier 2
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a % of eligible compensation	2.000%	2.000%
Required employee contribution rates	10.250%	9.205%
Required employer contribution rates	14.430%	14.430%

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

For the year ended June 30, 2018, the District's contributions were as follows:

	<b>CalSTRS</b>
Employer Contributions	\$ 3,635,579
State Contributions	1,479,579
Total	<u>\$ 5,115,158</u>

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	<b>Proportionate Share of Net Pension Liability/(Asset)</b>
District	\$ 43,465,130
State	16,155,989
Total	<u>\$ 59,621,119</u>



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The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District increased beginning net position by \$1,029,561 to reduce its beginning CalSTRS net pension obligation due to corrections in its proportionate share calculations. The state contributed 8.828 percent of the members' creditable earnings from the fiscal year ending in the prior calendar year. Also, as a result of AB 1469, the additional state appropriation required to fully fund the benefits in effect as of 1990 by 2046 is specific in subdivision (b) of Education Code Section 22955.1. The increased contributions end as of fiscal year 2046-2047.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2017 and 2018 was as follows:

	<u>CalSTRS</u>
Proportion - June 30, 2017	0.04500%
Proportion - June 30, 2018	0.04700%
Change - Increase/(Decrease)	<u>0.00200%</u>

For the year ended June 30, 2018, the District recognized pension expense of \$3,206,300 for the Plan.

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>CalSTRS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ 8,052,510	\$ -
Differences between Expected and Actual Experience	160,740	758,110
Differences between Projected and Actual Investment Earnings	-	1,157,610
Differences between Employer's Contributions and Proportionate Share of Contributions	1,332,620	53,175
Change in Employer's Proportion	3,493,669	3,168,771
Pension Contributions Made Subsequent to Measurement Date	3,635,579	-
<b>Total</b>	<u>\$ 16,675,118</u>	<u>\$ 5,137,666</u>

The District reported \$3,635,579 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.



**Menlo Park City School District**  
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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Outflows/(Inflows) of Resources CalSTRS
2019	\$ 578,060
2020	2,268,885
2021	1,645,665
2022	511,790
2023	1,095,448
Thereafter	1,802,025
<b>Total</b>	<b>\$ 7,901,873</b>

**Actuarial Assumptions** - The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.10%
Inflation	2.75%
Payroll Growth	3.50%
Projected Salary Increase	(1)
Investment Rate of Return	7.50% (2)
Mortality	(3)

(1) Varies by age and service. Approximately 6% average over career including inflation

(2) Net of pension plan investment expenses and administrative expenses, including inflation

(3) Derived using CalSTRS' membership data for all funds

**Discount Rate** - The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Long-Term Expected Rate of Return <sup>(1)</sup></u>
Global Equity	47.00%	6.30%
Fixed Income	12.00%	0.30%
Real Estate	13.00%	5.20%
Private Equity	13.00%	9.30%
Absolute Return / Risk Mitigating Strategies	9.00%	2.90%
Inflation Sensitive	4.00%	3.80%
Cash / Liquidity	2.00%	-1.00%
Total	<u>100.00%</u>	

<sup>(1)</sup> 20 year average

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

	<u>CalSTRS</u>
1% Decrease	6.10%
Net Pension Liability \$	63,821,300
Current	7.10%
Net Pension Liability \$	43,465,130
1% Increase	8.10%
Net Pension Liability \$	26,945,570

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

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**9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

*Plan Description*

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

*Benefits*

The following summarizes the benefits in the plan:

	Certificated	Classified
Benefit types provided	Medical and Medicare Part B only*	Medical and Medicare Part B only*
Duration of benefits	Lifetime**	Lifetime
Required service	5 years at age 60; Prior to age 60, one additional year per year prior to age 60***	5 years at age 60; Prior to age 60, one additional year per year prior to age 60***
Minimum age	55	50****
Dependent coverage	None	None
District contribution %	100%	100%
District cap	\$325 per month*	\$341 per month*

\*Up to 5 years of dental benefits may be provided to those retiring prior to 4/1/07. For classified retirees, the dental premium is subject to the cap. For certificated retirees, it is not.

\*\*Those hired after 4/1/07 receive only CalPERS statutory minimum after Medicare age

\*\*\*Also requires an additional 5 years of service either at Menlo Park City SD or another public school district.

\*\*\*\*For those hired after 4/1/07, minimum of 20 years and age 60.

*Employees Covered by Benefit Terms*

At June 30, 2017 (the valuation date), the benefit terms covered the following employees:

Active employees	344
Inactive employees	124
<b>Total employees</b>	<b>468</b>

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*Contributions*

The District makes contributions based on an actuarially determined rate and are approved by the authority of the District's Board. Total contributions to the OPEB plan during the year were \$653,622. Total benefit payments included in the measurement period were \$462,217. The actuarially determined contribution for the measurement period was \$811,618. The District's contributions were 1.9% of payroll during the measurement period June 30, 2017 (reporting period June 30, 2018). Employees are not required to contribute to the plan.

*Actuarial Assumptions*

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

<b>Valuation Date:</b>	June 30, 2017
<b>Measurement Date:</b>	June 30, 2017
<b>Actuarial Cost Method:</b>	Entry-Age Level Percent of Pay
<b>Amortization Period:</b>	20 years
<b>Actuarial Assumptions:</b>	
<b>Discount Rate</b>	3.50%
<b>Inflation</b>	2.75%
<b>Salary Increases</b>	2.75%
<b>Healthcare Trend Rate</b>	4.00%
<b>Mortality</b>	2009 CalSTRS and 2014 CalPERS Misc
<b>Retirement</b>	2009 CalSTRS Hired < 2013 2009 CalPERS Hired > 2013 2009 CalPERS 2%@60

*Discount Rate*

The projection of cash flows used to determine the discount rate assumed that the District contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to cover all future OPEB payments. Therefore, the discount rate was set to be equal to the long-term expected rate of return which was applied to all periods of projected benefit payments to determine the total OPEB liability.

*Long-Term Expected Rate of Return*

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**Menlo Park City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2018

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The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Percentage of Portfolio</b>	<b>Long-Term Expected Rate of Return</b>
US Large Cap	43.00%	7.795%
US Small Cap	23.00%	7.795%
Long-Term Corporate Bonds	12.00%	5.290%
Long-Term Government Bonds	6.00%	4.500%
Treasury Inflation-Protected Securities (TIPS)	5.00%	7.795%
US Real Estate	8.00%	7.795%
All Commodities	3.00%	7.795%
<b>Total</b>	<b>100.00%</b>	

*Net OPEB Liability*

The District's total OPEB liability was measured as of June 30, 2017 (measurement date) and was determined by an actuarial valuation as of June 30, 2017 (valuation date) for the fiscal year ended June 30, 2018 (reporting date).

*Changes in the Net OPEB Liability*

The following summarizes the changes in the net OPEB liability during the year ended June 30, 2018:

<b>Fiscal Year Ended June 30, 2018 (Measurement Date June 30, 2017)</b>	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability (Asset)</b>
<b>Balance at June 30, 2017</b>	\$ 7,932,834	\$ 1,512,580	\$ 6,420,254
Service cost	204,195	-	204,195
Interest in Total OPEB Liability	546,071	-	546,071
Employer contributions	-	595,824	(595,824)
Benefit payments	(462,217)	(462,217)	-
Other	-	-	-
<b>Net changes</b>	<b>288,049</b>	<b>287,300</b>	<b>749</b>
<b>Balance at June 30, 2018</b>	<b>\$ 8,220,883</b>	<b>\$ 1,799,880</b>	<b>\$ 6,421,003</b>
Covered Payroll at Measurement Date	\$ 31,420,772		
Total OPEB Liability as a % of covered payroll	26.16%		
Plan Fid. Net Position as a % of Total OPEB Liability	21.89%		
Service cost as a % of covered payroll	0.65%		
Net OPEB Liability as a % of covered payroll	20.44%		

**Menlo Park City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2018

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*Deferred Inflows and Outflows of Resources*

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between actual and expected experience	\$ -	\$ -
Difference between actual and expected earnings	-	-
Change in assumptions	-	-
OPEB contribution subsequent to measurement date	653,622	-
<b>Totals</b>	<u>\$ 653,622</u>	<u>\$ -</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$653,622 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in the year ended June 30, 2019.

*OPEB Expense*

The following summarizes the OPEB expense by source during the year ended June 30, 2018:

Service cost	\$ 204,195
Interest in TOL	546,071
Expected investment income	(155,019)
Other	-
Employee contributions	-
Difference between actual and expected experience	-
Difference between actual and expected earnings	-
Change in assumptions	-
Administrative expenses	1,326
<b>OPEB Expense</b>	<u><b>\$ 596,573</b></u>

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the year ended June 30, 2018:

Net OPEB liability ending	\$ 6,421,003
Net OPEB liability beginning	<u>(6,420,254)</u>
Change in net OPEB liability	749
Changes in deferred outflows	-
Changes in deferred inflows	-
Employer contributions and implicit subsidy	595,824
<b>OPEB Expense</b>	<u><b>\$ 596,573</b></u>

**Menlo Park City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2018

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*Sensitivity to Changes in the Discount Rate*

The net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher, is as follows:

		<b>Discount Rate</b>		
		<b>7.0%</b>		
		<b>(1% Decrease )</b>	<b>(Current Rate)</b>	<b>(1% Increase )</b>
Net OPEB Liability (Asset)	\$	6,146,342	\$ 6,421,003	\$ 6,848,589

*Sensitivity to Changes in the Healthcare Cost Trend Rates*

The net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than current healthcare cost trend rates, is as follows:

		<b>Trend Rate</b>		
		<b>4%</b>		
		<b>(1% Decrease )</b>	<b>(Current Rate)</b>	<b>(1% Increase )</b>
Net OPEB Liability (Asset)	\$	7,347,626	\$ 6,421,003	\$ 5,644,315

## 10. COMMITMENTS AND CONTINGENCIES

*Litigation*

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

*Federal and State Allowances, Awards and Grants*

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

## 11. JOINT POWERS AGREEMENTS

The District participates in a joint venture under a joint powers agreement (JPA) with San Mateo County Schools Insurance Group (SMCSIG) for property and liability, workers' compensation, vision, and dental insurance. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The JPA arranges for and provides for various types of insurances for its member districts as requested. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of the JPA, including selection of management and

**Menlo Park City School District**  
Notes to Basic Financial Statements  
For the Year Ended June 30, 2018

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approval of operating budgets, independent of any influence by the member districts beyond their representation on the board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation in the JPA. The following is a summary of the SMCSIG JPA's most recent financial statement information:

	SMCSIG June 30, 2017
Total Assets and Deferred Outflows	\$ 24,662,939
Total Liabilities and Deferred Inflows	11,623,166
Total Equity	13,039,773
Total Revenues	43,968,233
Total Expenditures	42,333,857



**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**Menlo Park City School District**  
Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual (GAAP)  
General Fund  
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive - (Negative)
	Original	Final	Actual (GAAP Basis)	
Revenues:				
LCFF sources	\$ 31,894,673	\$ 32,650,907	\$ 32,699,962	\$ 49,055
Federal	631,500	713,353	646,355	(66,998)
Other state	2,738,348	2,765,457	2,896,314	130,857
Other local	13,065,753	13,266,035	13,625,986	359,951
Total revenues	48,330,274	49,395,752	49,868,617	472,865
Expenditures:				
Certificated salaries	24,790,904	25,159,529	25,192,689	(33,160)
Classified salaries	6,742,693	6,883,656	6,973,080	(89,424)
Employee benefits	11,028,517	10,814,906	10,794,971	19,935
Books and supplies	1,348,788	1,287,400	1,422,865	(135,465)
Services and other operating expenditures	3,164,225	4,076,270	4,115,727	(39,457)
Capital outlay	50,000	55,631	55,631	-
Other outgo	337,000	488,755	495,849	(7,094)
Total expenditures	47,462,127	48,766,147	49,050,812	(284,665)
Excess (deficiency) of revenues over (under) expenditures	868,147	629,605	817,805	188,200
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	(198,000)	(198,000)	-
Total other financing sources (uses)	-	(198,000)	(198,000)	-
Changes in fund balance	\$ 868,147	\$ 431,605	619,805	\$ 188,200
Fund balance beginning			13,958,960	
Fund balance ending			\$ 14,578,765	

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

**Menlo Park City School District**  
Schedule of Pension Plan Contributions  
For the Fiscal Year Ended June 30, 2018

<b>CalPERS</b>	2018	2017	2016	2015
Contractually Required Contributions (Actuarially Determined)	\$ 981,737	\$ 805,268	\$ 608,635	\$ 576,663
Contributions in Relation to Actuarially Determined Contributions	981,737	805,268	608,635	576,663
<b>Contribution Deficiency (Excess)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Covered Employee Payroll</b>	<b>\$ 6,321,145</b>	<b>\$ 5,798,301</b>	<b>\$ 5,137,331</b>	<b>\$ 4,899,015</b>
<b>Contributions as a Percentage of Covered Payroll</b>	<b>15.53%</b>	<b>13.89%</b>	<b>11.85%</b>	<b>11.77%</b>

**Notes to Schedule:**

Valuation Date: June 30, 2016  
Assumptions Used: Entry Age Method used for Actuarial Cost Method  
Level Percentage of Payroll and Direct Rate Smoothing  
4 Years Remaining Amortization Period  
Inflation Assumed at 2.75%  
Investment Rate of Returns set at 7.5%  
CalPERS mortality table using 20 years of membership data for all funds

<b>STRS</b>	2018	2017	2016	2015
Contractually Required Contributions (Actuarially Determined)	\$ 3,635,579	\$ 3,122,481	\$ 2,458,365	\$ 1,999,983
Contributions in Relation to Actuarially Determined Contributions	3,635,579	3,122,481	2,458,365	1,999,983
<b>Contribution Deficiency (Excess)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Covered Employee Payroll</b>	<b>\$ 25,194,588</b>	<b>\$ 24,820,994</b>	<b>\$ 22,911,137</b>	<b>\$ 22,522,331</b>
<b>Contributions as a Percentage of Covered Payroll</b>	<b>14.43%</b>	<b>12.58%</b>	<b>10.73%</b>	<b>8.88%</b>

**Notes to Schedule:**

Valuation Date: June 30, 2016  
Assumptions Used: Entry Age Method used for Actuarial Cost Method  
Level Percentage of Payroll  
7 Years Remaining Amortization Period  
Inflation Assumed at 3.00%  
Investment Rate of Returns set at 7.50%  
STRS mortality table using membership data for all funds

Fiscal year 2015 was the first year of implementation, therefore only four years are shown.  
There were no changes in benefit terms  
PERS discount rates were reduced from 7.5 to 7.65 in 2017 and then again to 7.15 in 2018.  
STRS discount rates were reduced from 7.60 in 2017 to 7.10 in 2018.

**Menlo Park City School District**  
Schedule of Proportionate Share of Net Pension Liabilities  
For the Fiscal Year Ended June 30, 2018

<b>CalPERS</b>	2018	2017	2016	2015
District's Proportion of Net Pension Liability	0.04547%	0.06690%	0.04409%	0.04085%
District's Proportionate Share of Net Pension Liability	\$ 10,854,889	\$ 13,213,000	\$ 6,499,000	\$ 4,637,000
District's Covered Employee Payroll	\$ 5,798,301	\$ 5,137,331	\$ 4,899,015	\$ 4,278,229
<b>District's Proportionate Share of NPL as a % of Covered Employee Payroll</b>	<b>187.21%</b>	<b>257.20%</b>	<b>132.66%</b>	<b>108.39%</b>
<b>Plan's Fiduciary Net Position as a % of the TPL</b>	<b>71.87%</b>	<b>73.90%</b>	<b>79.43%</b>	<b>83.38%</b>
<b>STRS</b>	2018	2017	2016	2015
District's Proportion of Net Pension Liability	0.04700%	0.04597%	0.04852%	0.04806%
District's Proportionate Share of Net Pension Liability	\$ 43,465,130	\$ 37,182,000	\$ 32,668,000	\$ 28,085,000
District's Covered Employee Payroll	\$ 24,820,994	\$ 22,911,137	\$ 22,522,331	\$ 21,406,000
<b>District's Proportionate Share of NPL as a % of Covered Employee Payroll</b>	<b>175.11%</b>	<b>162.29%</b>	<b>145.05%</b>	<b>131.20%</b>
<b>Plan's Fiduciary Net Position as a % of the TPL</b>	<b>69.46%</b>	<b>70.04%</b>	<b>74.02%</b>	<b>76.52%</b>

Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

There were no changes in benefit terms

PERS discount rates were reduced from 7.5 to 7.65 in 2017 and then again to 7.15 in 2018.

STRS discount rates were reduced from 7.60 in 2017 to 7.10 in 2018.

**Menlo Park City School District**  
Schedule of OPEB Contributions  
For the Fiscal Year Ended June 30, 2018

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	<b>Fiscal Year Ended June 30, 2018</b>
Actuarially determined contribution (ADC)	\$ 811,618
Less: actual contribution in relation to ADC	<u>(653,622)</u>
Contribution deficiency (excess)	<u>\$ 157,996</u>
 Covered payroll for the fiscal year	 \$ 32,284,843
Contributions as a percentage of covered payroll	2.02%

**Notes to Schedule:**

*Assumptions and Methods*

Valuation Date:	June 30, 2017
Measurement Date:	June 30, 2017
Actuarial Cost Method:	Entry-Age Level Percent of Pay
Amortization Period:	20 years
Actuarial Assumptions:	
Discount Rate	4.00%
Inflation	2.75%
Salary Increases	2.75%
Healthcare Trend Rate	3.00%
Investment Rate of Return	7.00%
Mortality	2009 CalSTRS and 2014 CalPERS Misc
Retirement	2009 CalSTRS
	Hired < 2013 2009 CalPERS
	Hired > 2013 2009 CalPERS 2%@60

*Other Notes*

GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.

**Menlo Park City School District**  
Schedule of Changes in Net OPEB Liability  
For the Fiscal Year Ended June 30, 2018

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	<b>Fiscal Year Ended June 30, 2018</b>
<b>Total OPEB liability</b>	
Service cost	\$ 204,195
Interest	546,071
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments	(462,217)
Implicit subsidy fulfilled	-
Net change in Total OPEB Liability	288,049
Total OPEB Liability - beginning	7,932,834
Total OPEB Liability - ending	<u>\$ 8,220,883</u>
 <b>Plan fiduciary net position</b>	
Employer contributions	\$ 595,824
Employer implicit subsidy	-
Employee contributions	-
Net investment income	155,019
Difference between estimated and actual earnings	-
Benefit payments	(462,217)
Implicit subsidy fulfilled	-
Other	-
Administrative expense	(1,326)
Net change in plan fiduciary net position	287,300
Plan fiduciary net position - beginning	1,512,580
Plan fiduciary net position - ending	<u>\$ 1,799,880</u>
 Net OPEB liability (asset)	 \$ 6,421,003
 Plan fiduciary net position as a percentage of the total OPEB liability	  21.89%
 Covered employee payroll for the plan	 \$ 31,420,772
 Net OPEB Liability as a percentage of covered payroll	 20.44%
 Total OPEB Liability as a percentage of covered payroll	 26.16%
 GASB 75 requires a schedule of contributions for the last ten fiscal years, or for as many years as are available if less than ten years are available. GASB 75 was adopted as of June 30, 2018.	

**SUPPLEMENTARY  
INFORMATION**

***Nonmajor Governmental Funds  
Combining Schedules***



**Menlo Park City School District**  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2018

	Special Revenue Funds		Capital Projects Funds				
	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Totals
<b>Assets</b>							
Cash and investments	\$ 41,089	\$ 1,654,702	\$ 290,795	\$ 446,872	\$ 51,807	\$ 653,322	\$ 3,138,587
Accounts receivable	23,403	4,475	1,282	142,349	125	3,086	174,720
Total Assets	<u>\$ 64,492</u>	<u>\$ 1,659,177</u>	<u>\$ 292,077</u>	<u>\$ 589,221</u>	<u>\$ 51,932</u>	<u>\$ 656,408</u>	<u>\$ 3,313,307</u>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ 18,871	\$ 60,660	\$ 21,836	\$ 1,640	\$ -	\$ 4,494	\$ 107,501
Due to other funds	26,066	-	-	-	-	-	26,066
Total Liabilities	<u>44,937</u>	<u>60,660</u>	<u>21,836</u>	<u>1,640</u>	<u>-</u>	<u>4,494</u>	<u>133,567</u>
Fund balances:							
Restricted for:							
Facilities projects	-	-	-	-	51,932	-	51,932
Cafeteria programs	19,555	-	-	-	-	-	19,555
Deferred maintenance	-	1,598,517	-	-	-	-	1,598,517
Assigned for:							
Capital projects	-	-	270,241	587,581	-	651,914	1,509,736
Total Fund Balances	<u>19,555</u>	<u>1,598,517</u>	<u>270,241</u>	<u>587,581</u>	<u>51,932</u>	<u>651,914</u>	<u>3,179,740</u>
Total Liabilities and Fund Balances	<u>\$ 64,492</u>	<u>\$ 1,659,177</u>	<u>\$ 292,077</u>	<u>\$ 589,221</u>	<u>\$ 51,932</u>	<u>\$ 656,408</u>	<u>\$ 3,313,307</u>

**Menlo Park City School District**  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2018

	Special Revenue Funds		Capital Projects Funds				
	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Totals
Revenues:							
LCFF Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal	119,372	-	-	-	-	-	119,372
Other state	7,219	660,000	-	-	51,808	-	719,027
Other local	415,151	15,627	4,691	609,624	124	10,032	1,055,249
Total revenues	541,742	675,627	4,691	609,624	51,932	10,032	1,893,648
Expenditures:							
Pupil services:							
Food services	497,660	-	-	-	-	-	497,660
General administration:							
All other general administration	26,066	-	-	-	-	-	26,066
Plant services	-	407,009	151,234	76,857	-	108,361	743,461
Total expenditures	523,726	407,009	151,234	76,857	-	108,361	1,267,187
Excess (deficiency) of revenues over (under) expenditures	18,016	268,618	(146,543)	532,767	51,932	(98,329)	626,461
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Changes in fund balances	18,016	268,618	(146,543)	532,767	51,932	(98,329)	626,461
Fund balances beginning	1,539	1,329,899	416,784	54,814	-	750,243	2,553,279
Fund balances ending	\$ 19,555	\$ 1,598,517	\$ 270,241	\$ 587,581	\$ 51,932	\$ 651,914	\$ 3,179,740

**STATE AND FEDERAL  
AWARD COMPLIANCE  
SECTION**

**Menlo Park City School District**

Organization (Unaudited)

June 30, 2018

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The 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 currently is operating three elementary schools and one intermediate school.

The Board of Education for the fiscal year ended June 30, 2018, was comprised of the following members:

**Governing Board**

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Terry Thygesen	President	2018
David Ackerman	Vice President/Clerk	2020
Caroline Lucas	Member	2020
Joan Lambert	Member	2018
Stacey Jones	Member	2022

**Administration**

Mr. Erik Burmeister  
Superintendent

Ahmad Sheikholeslami  
Chief Business and Operations Officer

**Menlo Park City School District**  
Schedule of Average Daily Attendance  
For the Fiscal Year Ended June 30, 2018

	<b>Total ADA</b>		<b>Classroom Based</b>	
	Second Period Report	Annual Report	Second Period Report	Annual Report
Regular ADA:				
Grades TK/K through three	1,282.76	1,290.88	1,282.76	1,290.88
Grades four through six	972.06	982.22	972.06	982.22
Grades seven and eight	612.64	618.81	612.64	618.81
Regular ADA Totals	2,867.46	2,891.91	2,867.46	2,891.91
Extended year Special educationL				
Grades TK/K through three	0.81	0.81	0.81	0.81
Grades four through six	0.58	0.58	0.58	0.58
Grades seven and eight	0.11	0.11	0.11	0.11
Special education - nonpublic, nonsect schools:				
Grades four through six	0.90	0.92	0.90	0.92
Grades seven and eight	0.96	0.96	0.96	0.96
Extended year special education - nonpublic, nonsect schools:				
Grades four through six	0.11	0.11	0.11	0.11
ADA Totals	2,870.93	2,895.40	2,870.93	2,895.40

**Menlo Park City School District**  
Schedule of Instructional Time  
For the Fiscal Year Ended June 30, 2018

Grade Level	Minutes Requirements	2018 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	52,680	180	0	In Compliance
Grade 1	50,400	52,680	180	0	In Compliance
Grade 2	50,400	52,680	180	0	In Compliance
Grade 3	50,400	55,230	180	0	In Compliance
Grade 4	54,000	55,230	180	0	In Compliance
Grade 5	54,000	55,230	180	0	In Compliance
Grade 6	54,000	59,466	180	0	In Compliance
Grade 7	54,000	59,466	180	0	In Compliance
Grade 8	54,000	59,466	180	0	In Compliance

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

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 instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206. The District has not met or exceeded its target funding.

**Menlo Park City School District**  
**Schedule of Charter Schools (Unaudited)**  
**June 30, 2018**

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

**Menlo Park City School District**  
Schedule of Financial Trends and Analysis (Unaudited)  
For the Fiscal Year Ended June 30, 2018

	(Budget)					
	2019		2018		2017	2016
<u>General Fund</u>						
Revenues and other financial sources	\$ 51,281,847	\$	49,868,617	\$	45,936,852	\$ 44,636,332
Expenditures	51,534,753		49,050,812		47,383,845	43,396,222
Other uses and transfers (out)	-		198,000		-	-
Total outgo	51,534,753		49,248,812		47,383,845	43,396,222
Change in fund balance	(252,906)		619,805		(1,446,993)	1,240,110
Ending fund balance	\$ 14,325,859	\$	14,578,765	\$	13,958,960	\$ 15,405,953
Available reserves <sup>(2)</sup>	\$ 10,477,503	\$	9,575,966	\$	8,564,070	\$ 6,936,994
Designated for economic uncertainty	\$ 10,477,503	\$	9,575,966	\$	8,564,070	\$ 6,936,994
Unassigned fund balance	\$ -	\$	-	\$	-	\$ -
Available reserves as a percentage of total outgo	20%		19%		18%	16%
Total long-term debt	\$ 201,653,055	\$	204,896,442	\$	200,241,287	\$ 190,726,878
Average daily attendance at P-2	2,915		2,871		2,877	2,854

Average daily attendance has increased by 17 over the past three years. The district anticipates an increase of 44 ADA for 2018.

The general fund balance has decreased by \$827,188 over the past three years and operated at a surplus in two out of the last three years. For a district this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out and other uses (total outgo).

Total long-term debt has increased by \$14,169,564 over the past three years.

<sup>(1)</sup> Budget numbers are based on the first adopted budget of the fiscal year 2018/19.

<sup>(2)</sup> Available reserves consist of all unassigned fund balances in the general fund, which includes the reserve for economic uncertainties.



**Menlo Park City School District**  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended June 30, 2018

Program Name	Federal Catalog Number		Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION				
Direct Aid:				
<i>Special Education Cluster</i>				
IDEA Basic Local Assistance	84.027	(1)	13379	\$ 460,090
Special Ed: IDEA Preschool Staff Development, Part B, Sec 619	84.173	(1)	13431	246
Special Education: IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027	(1)	10115	17,718
IDEA Preschool Grants	84.173	(1)	13430	13,167
IDEA Preschool Local Entitlement	84.027A	(1)	13682	51,073
<b>Total Special Education Cluster</b>				<u>542,294</u>
<i>Title I, Part A Cluster</i>				
Title I, Part A, Basic Grants Low-Income & Neglected	84.010		14329	39,952
<b>Total Title I, Part A Cluster</b>				<u>39,952</u>
<i>Title II Cluster</i>				
Title II: Improving Teacher Quality	84.367		14341	31,598
<b>Total Title II Cluster</b>				<u>31,598</u>
<i>Title III Cluster</i>				
NCLB (ESEA): Title III, Immigration Education Program	84.365		15146	8,926
ESEA (ESSA) : Title III, English Learner Student Program	84.365		14346	23,585
<b>Total Title III Cluster</b>				<u>32,511</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>				<u>646,355</u>
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through California Department of Education				
Child Nutrition: School Programs	10.555		13524	119,372
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>				<u>119,372</u>
<b>TOTAL FEDERAL PROGRAMS</b>				<u>\$ 765,727</u>

(1) Audited as major program

**Menlo Park City School District**  
Reconciliation of Annual Financial and Budget Report (SACS)  
to the Audited Financial Statements  
For the Fiscal Year Ended June 30, 2018

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	General Fund	Bond Interest & Redemption Fund	Other Nonmajor Governmental Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
June 30, 2018 Annual Financial and Budget Report Fund Balances	\$ 13,440,558	\$ 5,621,134	\$ 4,317,947
Adjustments and Reclassifications: GASB 54 reclassifications	<u>1,138,207</u>	<u>-</u>	<u>(1,138,207)</u>
June 30, 2018 Audited Financial Statements Fund Balances	<u><u>\$ 14,578,765</u></u>	<u><u>\$ 5,621,134</u></u>	<u><u>\$ 3,179,740</u></u>

**Menlo Park City School District**  
Notes to State and Federal Award Compliance Section  
For the Fiscal Year Ended June 30, 2018

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**1. PURPOSE OF SCHEDULES**

A. Schedule of Average Daily Attendance

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

B. Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day and has not met its local control formula funding formula target. 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 Charter Schools

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

D. Schedule of Financial Trends and Analysis

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

E. Schedule of Expenditures of Federal Awards

*Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with Uniform Guidance requirements. The District has elected not to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

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

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

**Menlo Park City School District**  
Notes to State and Federal Award Compliance Section  
For the Fiscal Year Ended June 30, 2018

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

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

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

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**OTHER INDEPENDENT  
AUDITOR'S REPORTS**



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

Board of Trustees  
Menlo Park City School District  
Menlo Park, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Menlo Park City School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 18, 2018.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion



on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

C & A LLP

November 18, 2018  
San Jose, California



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY TITLE 2 CFR PART 200 (UNIFORM GUIDANCE)**

Board of Trustees  
Menlo Park City School District  
Menlo Park, California

**Report on Compliance for Each Major Federal Program**

We have audited Menlo Park City School District's (the District) compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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 the 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 the District's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

**Report on Internal Control over Compliance**

Management of the 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 the 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 Uniform Guidance, 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 The 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.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*C & A UP*

November 18, 2018  
San Jose, California



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON STATE PROGRAMS**

The Honorable Board of Trustees  
Menlo Park City School District  
Menlo Park, California

**Compliance**

We have audited the Menlo Park City School District's (the District) compliance with the types of compliance requirements described in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel, that could have a direct and material effect on each of the District's state programs identified below for the year ended June 30, 2018.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each applicable program as identified in the State's audit guide, *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. 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 *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the Education Audit Appeals Panel. Those standards, and state audit guide, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above, that could have a material effect on compliance with the state laws and regulations described in the schedule below occurred. An audit includes examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In connection with the compliance audit referred to above, we selected and tested transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies Other than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	N/A
Instructional Time	Yes
Instructional Materials	Yes



<u>Description</u>	<u>Procedures Performed</u>
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	N/A
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	N/A
After School	N/A
Before School	N/A
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	N/A
Charter Schools:	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study for Charter Schools	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

We did not perform the audit procedures for the Independent Study because the ADA was under the level that requires testing.

### Opinion

In our opinion, Menlo Park City School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on State Programs for the fiscal year ended June 30, 2018.

*C & A LLP*

November 18, 2018  
San Jose, California

## **FINDINGS AND RECOMMENDATIONS**

**Menlo Park City School District**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2018**

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weaknesses?        Yes   x   No

Significant deficiencies identified not  
considered to be material weaknesses?        Yes   x   No

Non-compliance material to financial statements noted?        Yes   x   No

**Federal Awards**

Internal control over major programs:

Material weaknesses?        Yes   x   No

Significant deficiencies identified not  
considered to be material weaknesses?        Yes   x   No

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

Any audit findings disclosed that are required to be reported in  
accordance with 2 CFR 200.516(a)        Yes   x   No

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
84.027	IDEA Basic Local Assistance
84.027	Special Ed: IDEA Preschool Staff Development, Part B, Sec 619
84.173	IDEA Preschool Grants
84.027A	IDEA Preschool Local Entitlement
84.027	Special Education: IDEA Local Assistance, Part B, Sec 611

Dollar threshold used to distinguish between  
type A and type B programs:        \$        750,000

Auditee qualified as low risk auditee?        Yes   x   No

**State Awards**

Internal control over state programs:

Material weaknesses?        Yes   x   No

Significant deficiencies identified not  
considered to be material weaknesses?        Yes   x   No

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

**Menlo Park City School District**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2018**

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**Section II - Financial Statement Findings**

None

**Section III - Federal Award Findings and Questioned Costs**

None

**Section IV - State Award Findings and Questioned Costs**

None

**Menlo Park City School District**  
**Schedule of Prior Year Findings and Recommendations**  
**For the Fiscal Year Ended June 30, 2018**

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**Section II - Financial Statement Findings**

None

**Section III - Federal Award Findings and Questioned Costs**

None

**Section IV - State Award Findings and Questioned Costs**

None