



Annual Financial Report  
June 30, 2023

# Los Gatos-Saratoga Joint Union High School District

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## Independent Auditor's Report

Governing Board  
Los Gatos-Saratoga Joint Union High School District  
Los Gatos, California

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Los Gatos-Saratoga Joint Union High School District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of the District, as of June 30, 2023, 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.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Correction of Error*

As discussed in Note 15 to the financial statements, certain errors resulting in an overstatement of amounts previously reported for cash as of June 30, 2022, were discovered during the current year. Accordingly, a restatement has been made to the governmental activities net position and nonmajor governmental fund balance as of July 1, 2022, to correct the error. Our opinions are not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, combining non-major governmental fund financial statements, local education agency organization structure, schedule of average daily attendance, schedule of instructional time, reconciliation of annual financial and budget report with audited financial statements, and schedule of financial trends and analysis are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, combining non-major governmental fund financial statements, local education agency organization structure, schedule of average daily attendance, schedule of instructional time, reconciliation of annual financial and budget report with audited financial statements, and schedule of financial trends and analysis are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2024 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the typed name and address.

Menlo Park, California  
February 27, 2024



**Governing Board**  
Theresa Bond  
Steve Chen  
Misty Davies  
Alex Shultz  
Katherine Tseng  
**Superintendent**  
Bill W. Sanderson

This section of Los Gatos-Saratoga Union High School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2023, with comparative information for the year ended June 30, 2022. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### **Profile of the District**

The Los Gatos-Saratoga Union High School District (the District) was founded in 1887 to provide quality secondary education to the residents of Los Gatos, Monte Sereno, and Saratoga in Santa Clara County and portions of the Santa Cruz mountains area in Santa Cruz County. With a long tradition of academic excellence, the District operates two comprehensive high schools that are fully accredited by the Western Association of Schools and Colleges. The District's two campuses – Los Gatos High School (LGHS) and Saratoga High School (SHS) – serve more than 3,400 students. The District also provides alternative pathways including Valor, an Independent Study Program, and coordinates with West Valley Junior College to provide a Middle College program.

The cornerstones of the educational program are a strong focus on academics, establishment of clear goals for students, provision for comprehensive elective and advanced placement programs, availability of viable alternative pathways and special programs and maintenance of a learning environment characterized by a focus on students' wellness, balance and belonging, a highly trained and motivated staff and strong instructional leadership. By all student achievement measures, District schools are in the top percentiles of all high schools in the State. The schools have also been recognized nationally for excellence in academic achievement.

The District has a long-standing and comprehensive strategic planning process that includes annual updating of district goals and the development of educational goals in accordance with the single plan for student achievement and the Local Control Accountability Plan (LCAP). The mission of the District is to maximize the learning of all students. The graduation rate for 22-23 seniors was 96.8% and nearly all graduates go on to pursue further studies.

The District's students come from an enriching mix of ethnic backgrounds including a sizeable portion of immigrants from Asia, South Asia, and the Middle East. Students prepare to make meaningful, positive contributions to our world. The District takes great pride in its exceptional staff, parent support and student achievement.

### **Financial Highlights**

A school district is deemed a "Community Funded" or "Basic Aid" District when the assessed valuation of the district increases to the point where the local property taxes exceed the State's calculated Local Control Funding Formula (LCFF) for the District. In 2022-2023, The District's Property taxes exceed its LCFF funding in the amount of \$21.0 million.



The District became Community Funded in the early 1990's. Property tax revenue is the primary source for all instructional programs and provides the vast majority of the resources to pay for all operating costs in the General Fund of the District. Because funding relies on assessed valuation, the impact of a recession could have a negative effect upon local property tax revenues of the District. Therefore, the District continues to use conservative estimates when making long-term commitments with district funds.

The General Fund expenditures per student in 2022-2023 were \$21,925. This was an increase of \$2,733 from last year's per student spending of \$16,961 in 2021-2022.

The 2011-2012 year marked the first year of parcel tax income. With the slow growth in property values and reduction in state categorical money through a basic aid "fair share" reduction, the governing board authorized a parcel tax election on May 3, 2011. The parcel tax passed with a 72% passage rate and became effective July 1, 2011. The parcel tax was reauthorized in May 2016, effective July 1, 2017, and sunsetting on June 30, 2025. The parcel tax generated \$949,476 in 2022-2023. The tax is \$49 per parcel per year and a senior citizen exemption is available to seniors 65 years or older. A parcel tax oversight committee comprised of community members ensured that these funds were used for students and programs, in full compliance with voter authorized activities, and not for administrative salaries.

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

This annual report consists of three parts – management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong. Fiduciary fund activity is excluded from the government-wide financial statements.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a display of the District's General Fund budget, both the adopted and final versions, along with a comparison of the final budget with year-end actuals.

### **Government-Wide Statements**

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all the District's assets, deferred outflows, liabilities, and deferred inflows. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- To assess the overall health of the District one needs to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues (like developer fees).

The District has two kinds of funds:

- **Governmental Funds** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide reconciliations between the governmental funds statements and the government-wide statements to better explain the relationship (or differences) between them.
- **Fiduciary Funds** – The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that those to whom the assets belong use only for their intended purposes and the assets reported in these funds. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

**Financial Analysis of the District as A Whole**

**Net Position**

The District's combined net position was \$22.9 million as of June 30, 2023. This table summarizes the District's net position. The net position in the current year increased due to the decrease in net pension liabilities and related costs.

|                                     | Governmental Activities<br>(in thousands of dollars) |                       |                 |               |
|-------------------------------------|--|-----------------------|-----------------|---------------|
|                                     | 2023   | 2022<br>As restated * | VAR\$           | VAR%          |
| <b>Assets</b>                       |  |                       |                 |               |
| Current and other assets            | \$ 45,393  | \$ 54,258             | \$ (8,865)      | -16.3%        |
| Capital assets                      | 117,537  | 113,581               | 3,956           | 3.5%          |
| Total assets                        | <u>162,931</u>                                       | <u>167,839</u>        | <u>(4,908)</u>  | <u>-2.9%</u>  |
| Deferred outflows<br>of resources   | <u>14,674</u>  | <u>11,361</u>         | <u>3,313</u>    | <u>29.2%</u>  |
| <b>Liabilities</b>                  |  |                       |                 |               |
| Current liabilities                 | 4,280  | 7,130                 | (2,850)         | -40.0%        |
| Long-term liabilities               | <u>141,805</u>                                       | <u>127,542</u>        | <u>14,263</u>   | <u>11.2%</u>  |
| Total liabilities                   | <u>146,086</u>                                       | <u>134,672</u>        | <u>11,414</u>   | <u>8.5%</u>   |
| Deferred inflows<br>of resources    | <u>8,606</u>   | <u>25,830</u>         | <u>(17,224)</u> | <u>-66.7%</u> |
| <b>Net Position</b>                 |  |                       |                 |               |
| Net investment in<br>capital assets | 44,029   | 39,798                | 4,231           | 10.6%         |
| Restricted                          | 15,389   | 16,617                | (1,228)         | -7.4%         |
| Unrestricted                        | <u>(36,505)</u>                                      | <u>(37,717)</u>       | <u>1,212</u>    | <u>-3.2%</u>  |
| Total net position                  | <u>\$ 22,913</u>                                     | <u>\$ 18,698</u>      | <u>\$ 4,215</u> | <u>22.5%</u>  |

**Changes in Net Position**

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 16. The table below takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

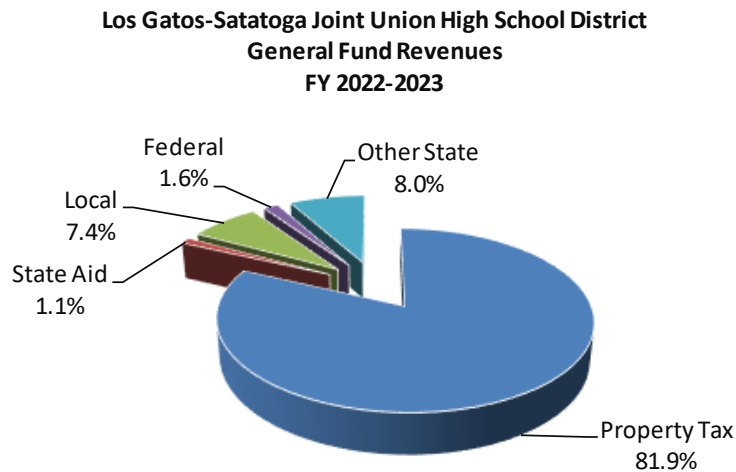
|                                      | Governmental Activities<br>(in thousands of dollars) |                 |              |            |
|--------------------------------------|--|-----------------|--------------|------------|
|                                      | 2023   | 2022            | VAR\$        | VAR%       |
| <b>Revenues</b>                      |  |                 |              |            |
| Program revenues                     |  |                 |              |            |
| Charges for services                 | \$ 535   | \$ 379          | \$ 156       | 41%        |
| Operating grants and contributions   | 9,671  | 8,640           | 1,031        | 12%        |
| General revenues                     |  |                 |              |            |
| Federal and State aid not restricted | 1,791  | 1,659           | 132          | 8%         |
| Property taxes                       | 71,583   | 64,033          | 7,550        | 12%        |
| Other general revenues               | 2,288  | 1,899           | 389          | 20%        |
| Total revenues                       | <u>85,867</u>  | <u>76,610</u>   | <u>9,257</u> | <u>12%</u> |
| <b>Expenses</b>                      |  |                 |              |            |
| Instruction-related                  | 47,293   | 42,094          | 5,199        | 12%        |
| Pupil services                       | 10,664   | 9,358           | 1,306        | 14%        |
| Administration                       | 5,680  | 5,392           | 288          | 5%         |
| Plant services                       | 9,094  | 7,194           | 1,900        | 26%        |
| All other services                   | 8,757  | 8,238           | 519          | 6%         |
| Total expenses                       | <u>81,488</u>  | <u>72,276</u>   | <u>9,212</u> | <u>13%</u> |
| Change in net position               | <u>\$ 4,379</u>                                      | <u>\$ 4,334</u> | <u>\$ 45</u> | <u>1%</u>  |

The table below presents the cost and net cost of each of the District’s largest functions: instruction including, special instruction programs and other instructional programs, pupil services, administration, plant services, and all other services. As discussed above, net cost shows the financial burden that was placed on the District’s taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

|                     | Governmental Activities<br>(in thousands of dollars) |                  |                      |                    |
|---------------------|--|------------------|----------------------|--------------------|
|                     | Total Cost of Services                               |                  | Net Cost of Services |                    |
|                     | 2023   | 2022             | 2023                 | 2022               |
| Instruction-related | \$ 47,293  | \$ 42,094        | \$ (43,189)          | \$ (37,975)        |
| Pupil services      | 10,664   | 9,358            | (8,707)              | (8,313)            |
| Administration      | 5,680  | 5,392            | (5,623)              | (5,322)            |
| Plant services      | 9,094  | 7,194            | (9,043)              | (7,096)            |
| All other services  | 8,757  | 8,238            | (4,720)              | (4,551)            |
| <b>Total</b>        | <b>\$ 81,488</b>                                     | <b>\$ 72,276</b> | <b>\$ (71,282)</b>   | <b>\$ (63,257)</b> |

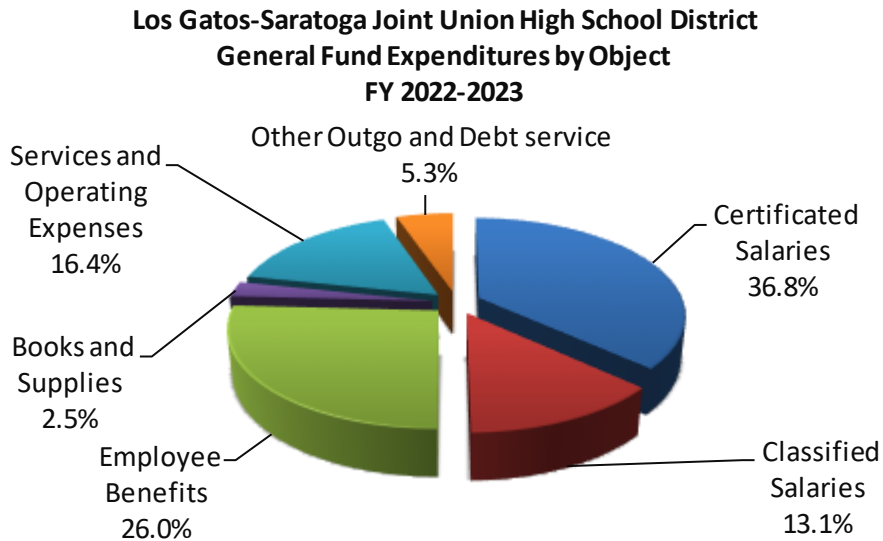
**Financial Analysis of the District's General Fund**

The District is community funded (also referred to as “basic aid”), which means that the District relies on local property taxes rather than State aid for 82.0% of its revenue. General Fund revenues for 2022-2023 excluding transactions related to the Special Revenue Fund for other than Capital Outlay Fund, increased by \$5.5 million (7.8%) above previous year. Property tax revenues increased by \$4.3 million (7.46%). (Note: Other charts are incorporated in Adopted Budget on the District Web Page [www.lgsuhdsd.org](http://www.lgsuhdsd.org).)

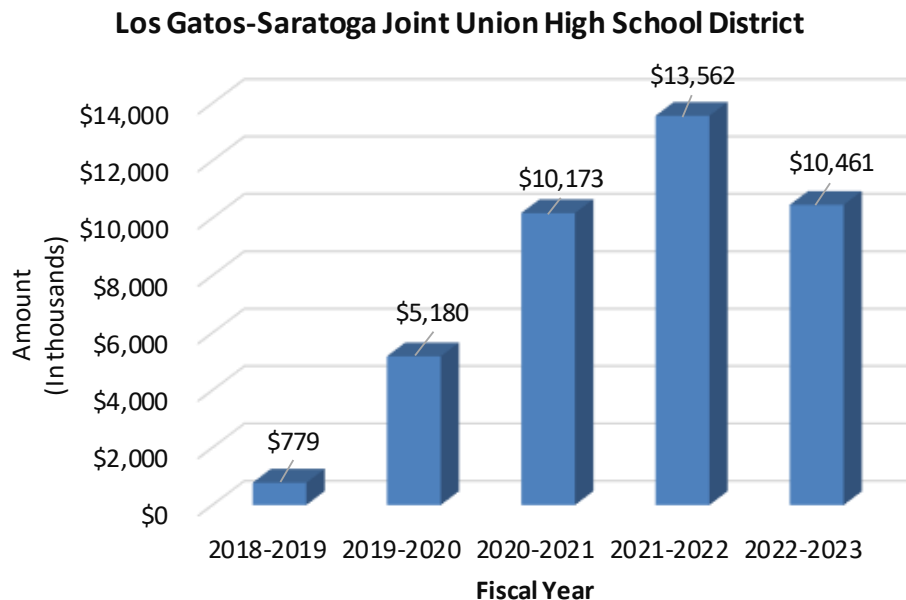


Expenditures increased by \$2.6 million, over the previous year. As is common with virtually all school districts, majority of expenditures in the General Fund are for salaries and benefits.

Of the total amount expended during 2022-2023, 75.90% was spent on salaries and benefits. See the chart below for a breakdown of General Fund expenditures.



In the General Fund, excluding Special Reserves for other than Capital Outlay Fund, total revenues were \$75 million and expenditures, including transfers out, were \$73.3 million. This resulted in an ending fund balance of \$10.34 million. Of this amount, \$3.0 million is restricted or non-spendable. The District's reserve level was 14.6% as of June 30, 2023. The State requires reserves of 3% of General Fund expenditures and other uses. Available reserves are \$10.61 million, including Special Reserve – Other Than Capital Outlay Fund (Fund 17). Although the available reserves exceed the state required minimum, these monies can only fund one-time expenditures and should not be used to support ongoing expenses.



### General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget during each interim period. The significant budget adjustments fell into the following categories:

- Budget revisions to the adopted budget required after approval of the state budget.
- Budget revisions to update revenues to actual enrollment information and to update expenditures for staffing adjustments related to actual enrollment.
- Budget revisions to update revenues and expenses in compliance with current education code requirements.
- Other budget revisions are routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories for school and department budgets.

The District ended the year with a General Fund ending balance of \$13,574,088. The State recommends a minimum ending reserve for economic uncertainties of 3% of General Fund expenditures. The District's ending reserve was \$10,612,350.

Total actual revenues were \$2,691,597 higher than budgeted revenues due to additional Covid funding received from the State and higher than expected property taxes. Total expenditures were \$30,743 lower than expected due to adjustments to salaries for teachers and classified personnel along with changes in the rates for health benefits. For the 2023 fiscal year, the District's General Fund does not anticipate a significant change in fund balance. The District anticipates a slight increase in salaries and benefits to accommodate step and column increases. Further, as the cost of living continues to increase in the bay area, much of non-salary expenditures are projected to increase by \$300 thousands.

### Capital Asset and Debt Administration

#### Capital Assets

At the close of the year ended June 30, 2023, the District had invested \$117.5 million in a wide range of capital assets, including school buildings, fields, computer equipment and vehicles. The net book value of total assets increased by \$3.96 million from the prior year.

|                                      | Governmental Activities<br>(in thousands of dollars) |                   |                 |             |
|--------------------------------------|--|-------------------|-----------------|-------------|
|                                      | 2023   | 2022              | VAR\$           | VAR%        |
| Land and construction<br>in progress | \$ 6,033   | \$ 6,364          | \$ (331)        | -5.2%       |
| Buildings and<br>improvements        | 109,996  | 106,009           | 3,987           | 3.8%        |
| Equipment                            | 1,507  | 1,208             | 299             | 24.8%       |
| Total                                | <u>\$ 117,536</u>                                    | <u>\$ 113,581</u> | <u>\$ 3,955</u> | <u>3.5%</u> |

### Long-Term Obligations

The District has long-term obligations other than pensions and OPEB totaling \$86.8 million as of June 30, 2023. The major portion of the debt is for the General Obligation (GO) Bonds. The GO bonds are funded primarily from property tax overrides through General Obligation bond issues. The following table provides the breakdown of the long-term liabilities:

|                                  | Governmental Activities<br>(in thousands of dollars) |                   |                  |              |
|----------------------------------|--|-------------------|------------------|--------------|
|                                  | 2023   | 2022              | VAR\$            | VAR%         |
| Long-Term Liabilities            |  |                   |                  |              |
| General obligation bonds         | \$ 81,235  | \$ 84,030         | \$ (2,795)       | -3.3%        |
| Certificates of participation    | 149  | 755               | (606)            | -80.3%       |
| Unamortized premiums/(discounts) | 4,997  | 5,438             | (441)            | -8.1%        |
| Leases                           | -  | 24                | (24)             | -100.0%      |
| Compensated absences             | 443  | 472               | (29)             | -6.2%        |
| Total OPEB liability             | 7,835  | 7,361             | 474              | 6.4%         |
| Aggregate net pension liability  | 47,147   | 29,463            | 17,684           | 60.0%        |
| Total                            | <u>\$ 141,805</u>                                    | <u>\$ 127,542</u> | <u>\$ 14,264</u> | <u>11.2%</u> |

At year-end, the District has a long-term retirement liabilities consisting of pension and OPEB. The pension liability is now \$47.1 million versus \$29.5 million last year, and increase of \$17.7 million, or 60%. The District implemented the provisions of GASB 68 in 2014-2015, which required the District to recognize its proportionate share of the unfunded accrued pension liability (UAL). The District presents more detailed pension information in Note 11. The District participates in both CalPERS and CalSTRS pension plans for its certified and certificated employees. UAL increased due to CalPERS and CalSTRS not invoicing the full amount of the actuarially computed obligation to minimize the budgetary impact on employers of the shortfall in their investment portfolio returns.

The District implemented the provisions of GASB 75 in 2018-2019, which required the District to recognize its unfunded OPEB liability. As of June 30, 2023, the District reported \$7.8 million in total OPEB liability. The District presents more detailed information regarding OPEB in Note 8.

The District's long-term debt other than the pensions and OPEB has decreased by \$3.9 million. This was mainly due to the general obligation bond payment in the current fiscal year. Refer to Note 7 in the accompanying financial statements for additional information on long-term obligations.



### **Factors Bearing on the District's Future**

In 2013-2014, the State eliminated the revenue limit funding formula and implemented the Local Control Funding Formula (LCFF). For the District, this change has minimal or no effect because property taxes exceed the LCFF entitlement and future property tax growth is expected to exceed the cost of living (COLA) increases in LCFF entitlement amounts for the short and long term.

In 2013 the state enacted the California Public Employees' Pension Reform Act (PEPRA) to strengthen both retirement systems: CalPERS and CalSTRS. Along with this reform, school employers were required to contribute an increasing percentage of members' salaries into both plans. Rates are projected to increase from 25.37% (CalPERS) and 19.10% (CalSTRS) in 2022-2023 to 26.68% (CalPERS) and 19.10% (CalSTRS) in 2023-2024. These increases are straining school budgets across California. Los Gatos-Saratoga Union High School District has built these increases into its current budget and multi-year projections. Depending on how strong property tax revenue increases are in the future, the district may eventually need to constrain spending in other areas of the budget to accommodate these increased costs. Additionally, the current and projected rates are not keeping pace with the retirement systems unfunded liability. The impact of the shortfall in CalSTRS and CalPERS funds, may have an impact on district contribution rates in the future.

### **Contacting the District's Financial Management**

The District is very fortunate to be a community funded district and tracks assessed valuation growth closely to validate current budget projections and maintain conservative growth projections going forward. This audit is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the District's Business Officer, Delores Perley, at 408-402-6330, Los Gatos-Saratoga Joint Union High School District, 17421 Farley Road West, Los Gatos, CA 95030, or [dperley@lgsuhdsd.org](mailto:dperley@lgsuhdsd.org).

Los Gatos-Saratoga Joint Union High School District

Statement of Net Position

June 30, 2023

|  | Governmental<br>Activities |
|--|----------------------------|
| <b>Assets</b>  |                            |
| Deposits and investments                             | \$ 40,998,725              |
| Receivables  | 2,706,863                  |
| Prepaid items  | 3,654                      |
| Stores inventories                                   | 16,931                     |
| Lease receivables                                    | 1,667,177                  |
| Capital assets not depreciated                       | 6,034,477                  |
| Capital assets, net of accumulated depreciation      | 111,502,761                |
| Total assets   | 162,930,588                |
| <b>Deferred Outflows of Resources</b>                |                            |
| OPEB related   | 1,067,333                  |
| Pension related                                      | 13,606,652                 |
| Total deferred outflows of resources                 | 14,673,985                 |
| <b>Liabilities</b>                                   |                            |
| Accounts payable                                     | 1,968,604                  |
| Interest payable                                     | 1,336,298                  |
| Unearned revenue                                     | 975,344                    |
| Long-term liabilities                                |                            |
| Long-term liabilities other than OPEB and pension    |                            |
| Due within one year                                  | 3,797,298                  |
| Due in more than one year                            | 83,026,159                 |
| Total other postemployment benefits liability (OPEB) | 7,835,039                  |
| Aggregate net pension liabilities                    | 47,146,899                 |
| Total liabilities                                    | 146,085,641                |
| <b>Deferred Inflows of Resources</b>                 |                            |
| OPEB related   | 719,006                    |
| Pension related                                      | 6,323,284                  |
| Lease related  | 1,563,996                  |
| Total deferred inflows of resources                  | 8,606,286                  |
| <b>Net Position</b>                                  |                            |
| Net investment in capital assets                     | 44,028,530                 |
| Restricted for                                       |                            |
| Capital projects                                     | 10,976,384                 |
| Educational programs                                 | 2,946,684                  |
| Student activities                                   | 1,466,303                  |
| Unrestricted   | (36,505,255)               |
| Total net position                                   | \$ 22,912,646              |

Los Gatos-Saratoga Joint Union High School District

Statement of Activities

Year Ended June 30, 2023

| Functions/Programs  | Expenses             | Program Revenues                     |  | Net (Expenses)<br>Revenues and<br>Changes in<br>Net Position |
|---|----------------------|--------------------------------------|--|--|
|   |                      | Charges for<br>Services and<br>Sales | Operating<br>Grants and<br>Contributions | Governmental<br>Activities                                   |
| Governmental Activities                                   |                      |                                      |  |  |
| Instruction   | \$ 39,196,833        | \$ 9,979                             | \$ 3,445,847                             | \$ (35,741,007)  |
| Instruction-related activities                            |                      |                                      |  |  |
| Supervision of instruction                                | 2,083,822            | 468                                  | 399,521                                  | (1,683,833)  |
| Instructional library, media,<br>and technology           | 1,066,061            | -                                    | 26,355                                   | (1,039,706)  |
| School site administration                                | 4,945,939            | 88                                   | 221,841                                  | (4,724,010)  |
| Pupil services  |                      |                                      |  |  |
| Home-to-school transportation                             | 888,640              | -                                    | 6,882                                    | (881,758)  |
| Food services   | 2,147,601            | 265,750                              | 1,091,133                                | (790,718)  |
| All other pupil services                                  | 7,627,375            | 2,337                                | 590,554                                  | (7,034,484)  |
| Administration  |                      |                                      |  |  |
| Data processing   | 756,139              | -                                    | -  | (756,139)  |
| All other administration                                  | 4,923,975            | -                                    | 56,851                                   | (4,867,124)  |
| Plant services  | 9,093,757            | 5,493                                | 44,796                                   | (9,043,468)  |
| Ancillary services  | 5,555,170            | 14,922                               | 3,275,190                                | (2,265,058)  |
| Community services  | 284,679              | 407                                  | 884                                      | (283,388)  |
| Enterprise services                                       | 20,570               | -                                    | -  | (20,570)   |
| Interest on long-term liabilities                         | 2,734,530            | -                                    | -  | (2,734,530)  |
| Other outgo   | 162,452              | 235,311                              | 510,912                                  | 583,771  |
| Total governmental activities                             | <u>\$ 81,487,542</u> | <u>\$ 534,755</u>                    | <u>\$ 9,670,766</u>                      | <u>(71,282,021)</u>  |
| General Revenues and Subventions                          |                      |                                      |  |  |
| Property taxes, levied for general purposes               |                      |                                      |  | 61,509,530   |
| Property taxes, levied for debt service                   |                      |                                      |  | 6,371,527  |
| Taxes levied for other specific purposes                  |                      |                                      |  | 3,701,832  |
| Federal and State aid not restricted to specific purposes |                      |                                      |  | 1,790,559  |
| Interest and investment earnings                          |                      |                                      |  | 808,353  |
| Interagency revenues                                      |                      |                                      |  | 2,041  |
| Miscellaneous   |                      |                                      |  | 1,477,327  |
| Total general revenues and and subventions                |                      |                                      |  | <u>75,661,169</u>  |
| Change in Net Position                                    |                      |                                      |  | 4,379,148  |
| Net Position - Beginning, as restated                     |                      |                                      |  | <u>18,533,498</u>  |
| Net Position - Ending                                     |                      |                                      |  | <u>\$ 22,912,646</u>   |

Los Gatos-Saratoga Joint Union High School District

Balance Sheet – Governmental Funds

June 30, 2023

|  | General<br>Fund      | Building<br>Fund    | Special Reserve<br>Fund for Capital<br>Outlay Projects | Interest and<br>Redemption<br>Fund | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|---------------------|--|------------------------------------|------------------------------------|--------------------------------|
| <b>Assets</b>  |                      |                     |  |                                    |                                    |                                |
| Deposits and investments   | \$ 13,248,955        | \$ 8,347,357        | \$ 10,630,403  | \$ 4,979,587                       | \$ 3,792,423                       | \$ 40,998,725                  |
| Receivables  | 2,374,195            | 42,942              | 94,272   | 21,687                             | 173,767                            | 2,706,863                      |
| Due from other funds   | 151,653              | -                   | -  | -                                  | -                                  | 151,653                        |
| Prepaid expenditures   | 3,654                | -                   | -  | -                                  | -                                  | 3,654                          |
| Stores inventories   | -                    | -                   | -  | -                                  | 16,931                             | 16,931                         |
| Lease receivables  | 1,667,177            | -                   | -  | -                                  | -                                  | 1,667,177                      |
| <b>Total assets</b>  | <b>\$ 17,445,634</b> | <b>\$ 8,390,299</b> | <b>\$ 10,724,675</b>                                   | <b>\$ 5,001,274</b>                | <b>\$ 3,983,121</b>                | <b>\$ 45,545,003</b>           |
| <b>Liabilities, Deferred Inflows or Resources, and Fund Balances</b>       |                      |                     |  |                                    |                                    |                                |
| <b>Liabilities</b>   |                      |                     |  |                                    |                                    |                                |
| Accounts payable   | \$ 1,438,931         | \$ 515,007          | \$ 414   | \$ -                               | \$ 14,252                          | \$ 1,968,604                   |
| Due to other funds   | -                    | -                   | -  | -                                  | 151,653                            | 151,653                        |
| Unearned revenue   | 868,619              | -                   | -  | -                                  | 106,725                            | 975,344                        |
| <b>Total liabilities</b>   | <b>2,307,550</b>     | <b>515,007</b>      | <b>414</b>   | <b>-</b>                           | <b>272,630</b>                     | <b>3,095,601</b>               |
| <b>Deferred Inflows of Resources</b>                                       |                      |                     |  |                                    |                                    |                                |
| Deferred inflows of resources related to leases                            | 1,563,996            | -                   | -  | -                                  | -                                  | 1,563,996                      |
| <b>Fund Balances</b>   |                      |                     |  |                                    |                                    |                                |
| Nonspendable   | 15,054               | -                   | -  | -                                  | 17,531                             | 32,585                         |
| Restricted   | 2,946,684            | 7,875,292           | 10,545,306   | 5,001,274                          | 1,897,381                          | 28,265,937                     |
| Assigned   | -                    | -                   | 178,955  | -                                  | 1,933,350                          | 2,112,305                      |
| Unassigned   | 10,612,350           | -                   | -  | -                                  | (137,771)                          | 10,474,579                     |
| <b>Total fund balances</b>   | <b>13,574,088</b>    | <b>7,875,292</b>    | <b>10,724,261</b>                                      | <b>5,001,274</b>                   | <b>3,710,491</b>                   | <b>40,885,406</b>              |
| <b>Total liabilities, deferred inflows of resources, and fund balances</b> | <b>\$ 17,445,634</b> | <b>\$ 8,390,299</b> | <b>\$ 10,724,675</b>                                   | <b>\$ 5,001,274</b>                | <b>\$ 3,983,121</b>                | <b>\$ 45,545,003</b>           |

Los Gatos-Saratoga Joint Union High School District  
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds  
June 30, 2023

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|  |                      |                      |
|--|----------------------|----------------------|
| Total Fund Balance - Governmental Funds  |                      | \$ 40,885,406        |
| Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because  |                      |                      |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.   |                      |                      |
| The cost of capital assets is  | \$ 225,896,036       |                      |
| Accumulated depreciation is  | <u>(108,358,798)</u> |                      |
| Net capital assets   |                      | 117,537,238          |
| In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred. |                      |                      |
|  |                      | (1,336,298)          |
| Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to   |                      |                      |
| Other postemployment benefits (OPEB)   | 1,067,333            |                      |
| Net pension liability  | <u>13,606,652</u>    |                      |
| Total deferred outflows of resources   |                      | 14,673,985           |
| Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to                               |                      |                      |
| Net pension liability  | (6,323,284)          |                      |
| Other postemployment benefits (OPEB)   | <u>(719,006)</u>     |                      |
| Total deferred inflows of resources  |                      | (7,042,290)          |
| Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.   |                      |                      |
|  |                      | (47,146,899)         |
| The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.   |                      |                      |
|  |                      | (7,835,039)          |
| 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   | (86,231,935)         |                      |
| Certificates of participation  | (149,000)            |                      |
| Compensated absences (vacations)   | <u>(442,522)</u>     |                      |
| Total long-term liabilities  |                      | <u>(86,823,457)</u>  |
| Total net position - governmental activities   |                      | <u>\$ 22,912,646</u> |

**Los Gatos-Saratoga Joint Union High School District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds**  
**Year Ended June 30, 2023**

|  | General<br>Fund      | Building<br>Fund    | Special Reserve<br>Fund for Capital<br>Outlay Projects | Interest and<br>Redemption<br>Fund | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|----------------------|---------------------|--|------------------------------------|------------------------------------|--------------------------------|
| <b>Revenues</b>                                      |                      |                     |  |                                    |                                    |                                |
| Local control funding formula                        | \$ 62,329,122        | \$ -                | \$ -   | \$ -                               | \$ -                               | \$ 62,329,122                  |
| Federal sources                                      | 1,224,940            | -                   | -  | -                                  | 275,616                            | 1,500,556                      |
| Other state sources                                  | 5,975,964            | -                   | -  | 13,645                             | 808,413                            | 6,798,022                      |
| Other local sources                                  | 5,546,922            | 469,291             | 286,911  | 6,376,099                          | 3,769,690                          | 16,448,913                     |
| Total revenues                                       | <u>75,076,948</u>    | <u>469,291</u>      | <u>286,911</u>   | <u>6,389,744</u>                   | <u>4,853,719</u>                   | <u>87,076,613</u>              |
| <b>Expenditures</b>                                  |                      |                     |  |                                    |                                    |                                |
| <b>Current</b>                                       |                      |                     |  |                                    |                                    |                                |
| Instruction  | 37,714,295           | -                   | -  | -                                  | -                                  | 37,714,295                     |
| Instruction-related activities                       |                      |                     |  |                                    |                                    |                                |
| Supervision of instruction                           | 1,988,828            | -                   | -  | -                                  | -                                  | 1,988,828                      |
| Instructional library, media,<br>and technology      | 986,673              | -                   | -  | -                                  | -                                  | 986,673                        |
| School site administration                           | 4,750,168            | -                   | -  | -                                  | -                                  | 4,750,168                      |
| Pupil services                                       |                      |                     |  |                                    |                                    |                                |
| Home-to-school transportation                        | 810,319              | -                   | -  | -                                  | -                                  | 810,319                        |
| Food services  | 24,640               | -                   | -  | -                                  | 1,953,268                          | 1,977,908                      |
| All other pupil services                             | 7,227,366            | -                   | -  | -                                  | -                                  | 7,227,366                      |
| Administration                                       |                      |                     |  |                                    |                                    |                                |
| Data processing                                      | 711,563              | -                   | -  | -                                  | -                                  | 711,563                        |
| All other administration                             | 4,579,875            | -                   | -  | -                                  | -                                  | 4,579,875                      |
| Plant services                                       | 8,410,674            | -                   | 143,250  | -                                  | 37,212                             | 8,591,136                      |
| Ancillary services                                   | 2,196,103            | -                   | -  | -                                  | 2,950,726                          | 5,146,829                      |
| Community services                                   | 214,063              | -                   | -  | -                                  | -                                  | 214,063                        |
| Capital outlay                                       | 253,187              | 9,785,391           | 1,383,007  | -                                  | -                                  | 11,421,585                     |
| Debt service   |                      |                     |  |                                    |                                    |                                |
| Principal  | 23,510               | -                   | 404,000  | 2,795,000                          | 202,000                            | 3,424,510                      |
| Interest and other                                   | 28,666               | -                   | 6,278  | 3,133,850                          | 3,139                              | 3,171,933                      |
| Total expenditures                                   | <u>69,919,930</u>    | <u>9,785,391</u>    | <u>1,936,535</u>                                       | <u>5,928,850</u>                   | <u>5,146,345</u>                   | <u>92,717,051</u>              |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>5,157,018</u>     | <u>(9,316,100)</u>  | <u>(1,649,624)</u>                                     | <u>460,894</u>                     | <u>(292,626)</u>                   | <u>(5,640,438)</u>             |
| <b>Other Financing Sources (Uses)</b>                |                      |                     |  |                                    |                                    |                                |
| Transfers in   | -                    | -                   | 2,548,011  | -                                  | 823,346                            | 3,371,357                      |
| Transfers out  | (3,371,358)          | -                   | -  | -                                  | -                                  | (3,371,358)                    |
| Net Financing Sources (Uses)                         | <u>(3,371,358)</u>   | <u>-</u>            | <u>2,548,011</u>                                       | <u>-</u>                           | <u>823,346</u>                     | <u>(1)</u>                     |
| Net Change in Fund Balances                          | 1,785,660            | (9,316,100)         | 898,387  | 460,894                            | 530,720                            | (5,640,439)                    |
| Fund Balance - Beginning, restated                   | 11,788,428           | 17,191,392          | 9,825,874  | 4,540,380                          | 3,179,771                          | 46,525,845                     |
| Fund Balance - Ending                                | <u>\$ 13,574,088</u> | <u>\$ 7,875,292</u> | <u>\$ 10,724,261</u>                                   | <u>\$ 5,001,274</u>                | <u>\$ 3,710,491</u>                | <u>\$ 40,885,406</u>           |

Los Gatos-Saratoga Joint Union High School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2023

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Total Net Change in Fund Balances - Governmental Funds \$ (5,640,439)

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

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

This is the amount by which capital outlays exceeds depreciation and amortization expenses in the period.

|                      |                   |
|----------------------|-------------------|
| Depreciation expense | (7,435,121)       |
| Capital outlays      | <u>11,421,585</u> |

|                        |           |
|------------------------|-----------|
| Net expense adjustment | 3,986,464 |
|------------------------|-----------|

Loss(Gain) on disposal of capital assets is reported in the government-wide Statement of Net Position, but is not recorded in the governmental funds. (30,339)

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used. 29,016

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year. 2,486,194

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year. (313,662)

Deferred charge on refunding (the difference between the reacquisition price and the net carrying amount of the refunded debt) are capitalized and amortized over the remaining life of the new or old debt, whichever is shorter. (3,390)

Los Gatos-Saratoga Joint Union High School District  
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2023

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

|                              |         |         |
|------------------------------|---------|---------|
| Premium amortization - Bonds | 440,793 |         |
| Total amortization           |         | 440,793 |

Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

|   |           |              |
|---|-----------|--------------|
| General obligation bonds                          | 2,795,000 |              |
| Certificates of participation                     | 606,000   |              |
| Leases  | 23,510    |              |
|   |           |              |
| Total principal payments                          |           | \$ 3,424,510 |
| Change in net position of governmental activities |           | \$ 4,379,147 |



Los Gatos-Saratoga Joint Union High School District  
Statement of Net Position – Fiduciary Funds  
June 30, 2023

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|                                 | Scholarship<br>Private-Purpose<br>Trust |
|---------------------------------|---|
| Assets                          |   |
| Deposits and investments        | \$ 428,518                              |
| Receivables                     | 3,476                                   |
| Total assets                    | 431,994                                 |
| Net Position                    |   |
| Restricted for scholarship      | 434,759                                 |
| Held in trusts for scholarships | (2,765)                                 |
| Total net position              | \$ 431,994                              |

Los Gatos-Saratoga Joint Union High School District  
Statement of Changes in Net Position – Fiduciary Funds  
Year Ended June 30, 2023

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|   | Scholarship<br>Private-Purpose<br>Trust |
|---|---|
| Additions                               |   |
| Net changes in fair value of investment | \$ (12,752)                             |
| Interest                                | 10,521                                  |
| Total additions                         | (2,231)                                 |
| Change in Net Position                  | (2,231)                                 |
| Net Position - Beginning                | 434,225                                 |
| Net Position - Ending                   | \$ 431,994                              |

**Note 1 - Summary of Significant Accounting Policies****Financial Reporting Entity**

The Los Gatos-Saratoga Joint Union High School District (District) was organized under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades nine through twelve as mandated by the State of California. The District operates two high schools and one alternative program.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Los Gatos-Saratoga Joint Union High School District, this includes general operations and student related activities of the District.

**Component Units**

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component unit described below has a financial and operational relationship which meets the reporting entity definition criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 80, *Blending Requirements For Certain Component Units* and thus are included in the financial statements of the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the governing board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Los Gatos-Saratoga Joint Union High School District Finance Corporation's financial activity is presented in the financial statements and blended with Capital Facilities Fund. Certificates of participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements.

**Basis of Presentation - Fund Accounting**

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

## Governmental Funds

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

### Major Governmental Funds

**General Fund** The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund. One fund currently defined as special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Special Reserve Fund for Other Than Capital Outlay Projects is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

**Building Fund** The Building Fund exists primarily to account separately for proceeds from the sale of bonds (Education Code Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

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

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

### Non-Major Governmental Funds

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

- **Student Activity Fund** The Student Activity Fund is used to account separately for the operating activities of the associated student body accounts that are not fiduciary in nature, including student clubs, general operations, athletics, and other student body activities.

- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).
- **Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).
- **Special Reserve Fund for Postemployment Benefits** The Postemployment Benefits Fund exists to account separately for funds committed for employees' retirement benefit payments.

**Capital Project Funds** The Capital Project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets. One of the District's capital project funds, Building Fund, is a major fund that is described under "major government funds" paragraph previously.

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

**Fiduciary Funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the district and are not available to support the District's own programs. Fiduciary funds are split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The three types of trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics. The District has only a private-purpose trust fund which is used to account for scholarships.

#### **Basis of Accounting - Measurement Focus**

**Government-Wide Financial Statements** The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the *Statement of Activities*, except for depreciation and amortization of leased assets. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**Fund Financial Statements** Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major governmental funds are aggregated and presented in a single column.

- **Governmental Funds** - All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current position and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide statements are prepared.

Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the differences between the government-wide statements and the statements for the governmental funds.

- **Fiduciary Funds** - Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

**Revenues - Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

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

### **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

### **Investments**

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

### **Prepaid Expenditures (Expenses)**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

### **Stores Inventories**

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

### **Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District as a whole. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and are capitalized in the government-wide financial statements. The valuation basis for general capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

Depreciation is computed by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings and improvements, 20 to 50 years; equipment, 2 to 15 years. Depreciation expense is allocated in the statement of activities based on expenditures by function.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2023.

The District records the value of intangible right-to-use assets based on the underlying leased asset in accordance with GASB Statement No. 87, *Leases*. The right-to-use intangible asset is amortized each year for the term of the contract or useful life of the underlying asset.

The District records the value of right-to-use subscription IT assets based on the underlying subscription asset in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The right-to-use subscription IT asset is amortized each year for the term of the contract or useful life of the underlying asset.

### **Subscription-Based Information Technology Arrangements**

The District recognizes a subscription liability and an intangible right-to-use subscription IT asset (subscription IT asset) in the government-wide financial statements. The District measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription IT asset is initially measured as the initial amount of the subscription liability, plus certain initial direct costs. Subsequently, the subscription IT asset is amortized on a straight-line basis over the subscription term or useful life of the underlying asset.

### **Leases**

*As Lessee:* At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.



*As Lessor:* At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

### **Interfund Balances**

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

### **Compensated Absences**

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported as a current liability on the government-wide statement of net position. For governmental funds, the liability is disclosed in the general long-term debt account group and is not accrued as a liability in any governmental fund.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all certificated and classified employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time. The long-term portion of compensated absences for the District at June 30, 2023 amounted to \$168,122.

### **Accrued Liabilities and Long-Term Liabilities**

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

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

#### **Debt Issuance Costs, Premiums and Discounts**

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the period the bonds are issued. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the period the bonds are issued.

#### **Deferred Outflows/Inflows of Resources**

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

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

#### **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 California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

**Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the District Plan and the MPP's fiduciary net position have been determined on the same basis as they are reported by the District Plan and the MPP. For this purpose, the District Plan and the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

**Leases**

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

**Fund Balances - Governmental Funds**

As of June 30, 2023, fund balances of the governmental funds are classified as follows:

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

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

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

**Assigned** - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board, and the chief business officer may assign amounts for specific purposes. The District currently does not have any assigned funds.

**Unassigned** - all other spendable amounts.

### **Spending Order Policy**

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

### **Minimum Fund Balance Policy**

In May 2021, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than 10% of General Fund expenditures and other financing uses.

### **Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of 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. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

### **Interfund Activity**

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Interfund transfers are eliminated in the governmental columns of the statement of activities.

### **Estimates**

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

**Property Tax**

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

**Effects of New Pronouncements**

As of July 1, 2022, the District implemented the following GASB Statement:

GASB Statement No. 96 – In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objectives of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Implementation did not result in a material change to the District’s financial statements.

The District is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB statements:

GASB Statement No. 99 – In April 2022, GASB Issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Certain requirements of this statement have been implemented as of June 30, 2022. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100 – In June 2022, GASB Issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023 and all reporting periods thereafter.

GASB Statement No. 101 – In June 2022, GASB Issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of the financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

**Note 2 - Deposits and Investments**

**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2023, are classified in the accompanying financial statements as follows:

|                                |                             |
|--------------------------------|-----------------------------|
| Governmental funds             | \$ 40,998,725               |
| Fiduciary funds                | <u>428,518</u>              |
| Total deposits and investments | <u><u>\$ 41,427,243</u></u> |

Deposits and investments as of June 30, 2023, consist of the following:

|                                |                             |
|--------------------------------|-----------------------------|
| Cash on hand and in banks      | \$ 1,483,157                |
| Cash with fiscal agent         | 9,517                       |
| Cash in revolving              | 12,000                      |
| Investments - County Treasury  | <u>39,922,569</u>           |
| Total deposits and investments | <u><u>\$ 41,427,243</u></u> |

**Policies and Practices**

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

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

**General Authorizations**

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

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

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by depositing substantially all of its funds in the Santa Clara County Treasury Pool.

The District monitors the interest rate risk inherent in its portfolio by measuring the maturity of its portfolio. The weighted average maturity of the Santa Clara County Pool was 648 days on June 30, 2023.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measure by the assignment of a rating by a nationally recognized statistical rating organization. The Santa Clara County Investment Pool was not rated on June 30, 2023.

**Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. As of June 30, 2023, the District's bank balance in the amount of \$1,102,516 was exposed to custodial credit risk because they were uninsured but were collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

**Note 3 - Receivables**

Receivables, other than lease receivable, at June 30, 2023, consist of the following sources. All receivables are considered collectible in full.

|                     | Government Activities |                  |  |                                   |                              | Total              | Fiduciary Funds |
|---------------------|-----------------------|------------------|--|-----------------------------------|------------------------------|--------------------|-----------------|
|                     | General Fund          | Building Fund    | Special Reserve Fund for Capital Outlay Projects | Bond Interest and Redemption Fund | Non-Major Governmental Funds |                    |                 |
| Federal Government  |                       |                  |  |                                   |                              |                    |                 |
| Categorical aid     | \$1,051,746           | \$ -             | \$ -   | \$ -                              | \$ 43,709                    | \$1,095,455        | \$ -            |
| State Government    |                       |                  |  |                                   |                              |                    |                 |
| LCFF apportionmen   | 168,692               | -                | -  | -                                 | -                            | 168,692            | -               |
| Categorical aid     | 64,985                | -                | -  | -                                 | -                            | 64,985             | -               |
| Lottery             | 191,873               | -                | -  | -                                 | -                            | 191,873            | -               |
| Other State         | -                     | -                | -  | -                                 | 22,734                       | 22,734             | -               |
| Local Government    |                       |                  |  |                                   |                              |                    |                 |
| Interest            | 175,788               | 42,942           | 37,452   | 21,687                            | 18,187                       | 296,056            | 3,476           |
| Other local sources | 721,111               | -                | 56,820   | -                                 | 89,137                       | 867,068            | -               |
| <b>Total</b>        | <b>\$2,374,195</b>    | <b>\$ 42,942</b> | <b>\$ 94,272</b>                                 | <b>\$ 21,687</b>                  | <b>\$ 173,767</b>            | <b>\$2,706,863</b> | <b>\$ 3,476</b> |

**Lease Receivable**

The District is leasing facilities to third parties under noncancellable lease agreements. In August 2021, the District entered into a 10-year lease agreement with at a rate of 2.96%; the agreement expires in July 2031. During the fiscal year, the District recognized \$209,436 in lease revenue and \$51,933 in interest revenue related to these agreements. Also, the District has a deferred inflow of resources associated with the leases that will be recognized as revenue over the lease term. As of June 30, 2023, the District recorded \$1,667,177 in leases receivable and \$1,563,996 in deferred inflows of resources for these arrangements.



Los Gatos-Saratoga Joint Union High School District

Notes to Financial Statements

June 30, 2023

**Note 4 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

|  | Balance<br>July 1, 2022 | Additions           | Deductions            | Balance<br>June 30, 2023 |
|--|-------------------------|---------------------|-----------------------|--------------------------|
| <b>Governmental Activities</b>             |                         |                     |                       |                          |
| Capital assets not being depreciated       |                         |                     |                       |                          |
| Land                                       | \$ 48,953               | \$ 1,299,734        | \$ -                  | \$ 1,348,687             |
| Construction in progress                   | 6,315,452               | 492,504             | (2,122,166)           | 4,685,790                |
| Total capital assets not being depreciated | <u>6,364,405</u>        | <u>1,792,238</u>    | <u>(2,122,166)</u>    | <u>6,034,477</u>         |
| Capital assets being depreciated           |                         |                     |                       |                          |
| Land improvements                          | 12,089,504              | 4,496,153           | -                     | 16,585,657               |
| Buildings and improvements                 | 192,493,307             | 6,752,807           | -                     | 199,246,114              |
| Furniture and equipment                    | 3,573,312               | 502,553             | (46,076)              | 4,029,789                |
| Total capital assets being depreciated     | <u>208,156,123</u>      | <u>11,751,513</u>   | <u>(46,076)</u>       | <u>219,861,560</u>       |
| Total capital assets                       | <u>214,520,528</u>      | <u>13,543,751</u>   | <u>(2,168,242)</u>    | <u>225,896,037</u>       |
| Accumulated depreciation                   |                         |                     |                       |                          |
| Land improvements                          | (3,561,811)             | (623,209)           | -                     | (4,185,020)              |
| Buildings and improvements                 | (95,011,880)            | (6,639,017)         | -                     | (101,650,897)            |
| Furniture and equipment                    | (2,365,724)             | (172,895)           | 15,737                | (2,522,882)              |
| Total accumulated depreciation             | <u>(100,939,415)</u>    | <u>(7,435,121)</u>  | <u>15,737</u>         | <u>(108,358,799)</u>     |
| Governmental activities                    | <u>\$ 113,581,113</u>   | <u>\$ 6,108,630</u> | <u>\$ (2,152,505)</u> | <u>\$ 117,537,238</u>    |

Depreciation expenses were charged as a direct expense to governmental functions as follows:

|   |                     |
|---|---------------------|
| <b>Governmental Activities</b>                      |                     |
| Instruction   | \$3,783,723         |
| Supervision of instruction                          | 199,531             |
| Instructional library media, and technology         | 98,989              |
| Administration                                      | 476,565             |
| Home-to-school transportation                       | 81,296              |
| Food services                                       | 198,436             |
| Other pupil services                                | 725,093             |
| Ancillary services                                  | 452,127             |
| Community services                                  | 26,579              |
| All other general admin.                            | 459,480             |
| Data processing service                             | 71,388              |
| Plant services                                      | 861,914             |
| Total depreciation expenses governmental activities | <u>\$ 7,435,121</u> |

**Note 5 - Interfund Transactions**

**Interfund Receivables/Payables (Due to/Due from)**

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund Receivables/Payables (Due to/Due from) for the year ended June 30, 2023, between major and non-major governmental funds are as follows:

| Due To                       | Due From     |                              | Total      |
|------------------------------|--------------|------------------------------|------------|
|                              | General Fund | Non-Major Governmental Funds |            |
| Non-Major Governmental Funds | \$ 151,653   | \$ -                         | \$ 151,653 |

All balance resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur and (2) payments between funds are made.

**Interfund Transfers**

Interfund transfers for the year ended June 30, 2023, consisted of the following:

| Transfer To  | Transfer From Non-Major Governmental Funds | Total               |
|--|--|---------------------|
| General Fund   | \$ 3,371,357                               | \$ 3,371,357        |
| The General Fund transferred to the Cafeteria Non-Major Governmental Fund to cover the expenditure of the food service program.                            |  | \$ 623,346          |
| The General Fund transferred to the Deferred Non-Major Governmental Fund to fund fiscal year and other medium and long term deferred maintenance projects. |  | 200,000             |
| The General Fund transferred to the Special Reserve Capital Outlay Projects Non-Major Governmental to fund future construction projects.                   |  | 2,548,011           |
| <b>Total</b>   |  | <b>\$ 3,371,357</b> |

**Note 6 - Accounts Payable**

Accounts payable at June 30, 2023, consisted of the following:

|                       | General<br>Fund     | Building<br>Fund  | Special Reserve<br>Fund for Capital<br>Outlay Projects | Interest and<br>Redemption<br>Fund | Non-Major<br>Governmental<br>Funds | Total               |
|-----------------------|---------------------|-------------------|--|------------------------------------|------------------------------------|---------------------|
| Vendor payables       | \$ 1,333,823        | \$ 515,007        | \$ 414   | \$ -                               | \$ 14,252                          | \$ 1,863,496        |
| Salaries and benefits | 105,108             | -                 | -  | -                                  | -                                  | 105,108             |
| <b>Total</b>          | <b>\$ 1,438,931</b> | <b>\$ 515,007</b> | <b>\$ 414</b>  | <b>\$ -</b>                        | <b>\$ 14,252</b>                   | <b>\$ 1,968,604</b> |

**Note 7 - Unearned Revenue**

Unearned revenue at June 30, 2023, consisted of the following:

|                              | General<br>Fund   | Non-Major<br>Governmental<br>Funds | Total             |
|------------------------------|-------------------|------------------------------------|-------------------|
| Federal financial assistance | \$ 151,320        | \$ -                               | \$ 151,320        |
| State categorical aid        | 588,354           | -                                  | 588,354           |
| Other local                  | 128,945           | 106,725                            | 235,670           |
| <b>Total</b>                 | <b>\$ 868,619</b> | <b>\$ 106,725</b>                  | <b>\$ 975,344</b> |

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

**Summary**

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

|                      | Balance<br>July 1, 2022 | Additions   | Deductions            | Balance<br>June 30, 2023 | Due in<br>One Year  |
|----------------------|-------------------------|-------------|-----------------------|--------------------------|---------------------|
| GOB                  | \$ 84,030,000           | \$ -        | \$ (2,795,000)        | \$ 81,235,000            | \$ 3,055,000        |
| COP                  | 755,000                 | -           | (606,000)             | 149,000                  | 149,000             |
| GOB premiums         | 5,437,728               | -           | (440,793)             | 4,996,935                | 318,898             |
| Financed purchase    | 23,510                  | -           | (23,510)              | -                        | -                   |
| Compensated absences | 471,538                 | -           | (29,016)              | 442,522                  | 274,400             |
| <b>Total</b>         | <b>\$ 90,717,776</b>    | <b>\$ -</b> | <b>\$ (3,894,319)</b> | <b>\$ 86,823,457</b>     | <b>\$ 3,797,298</b> |

Payments on the general obligation bonds (GOB) are made by the Bond Interest and Redemption Fund from a separate property tax override and, thus, do not require the use of general revenues. Payments for the Certificates of Participation (COP) are made from the Special Reserve for Capital Outlay Fund and Capital Facilities Fund. Office of Public Schools Constructions (OPSC) loan will be paid from Capital Facilities Fund. The compensated absences will be paid by the fund for which the employee worked. Financed purchase agreements are paid by the General Fund.

**General Obligation Bonds**

The outstanding general obligation bonded debt is as follows:

| Issuance<br>Date | Final<br>Maturity<br>Date | Interest<br>Rate | Original<br>Issue | Bonds<br>Outstanding<br>July 1, 2022 | Redeemed              | Bonds<br>Outstanding<br>June 30, 2023 |
|------------------|---------------------------|------------------|-------------------|--------------------------------------|-----------------------|---------------------------------------|
| 2012             | 2023                      | 2.0-3.0%         | \$ 9,785,000      | \$ 2,090,000                         | \$ (1,020,000)        | \$ 1,070,000                          |
| 2014             | 2045                      | 2.0-5.0%         | 45,000,000        | 37,600,000                           | (230,000)             | 37,370,000                            |
| 2016             | 2036                      | 2.0-4.0%         | 54,000,000        | 44,340,000                           | (1,545,000)           | 42,795,000                            |
|                  |                           |                  |                   | <b>\$ 84,030,000</b>                 | <b>\$ (2,795,000)</b> | <b>\$ 81,235,000</b>                  |

**Bond Debt Service Requirements to Maturity**

The bonds mature through 2046 as follows:

| <u>Fiscal Year</u> | <u>Principal</u>            | <u>Interest to<br/>Maturity</u> | <u>Total</u>                 |
|--------------------|-----------------------------|---------------------------------|------------------------------|
| 2024               | \$ 3,055,000                | \$ 3,037,725                    | \$ 6,092,725                 |
| 2025               | 2,225,000                   | 2,951,625                       | 5,176,625                    |
| 2026               | 2,485,000                   | 2,862,325                       | 5,347,325                    |
| 2027               | 2,780,000                   | 2,751,800                       | 5,531,800                    |
| 2028               | 3,090,000                   | 2,640,300                       | 5,730,300                    |
| 2029-2033          | 20,465,000                  | 11,261,850                      | 31,726,850                   |
| 2034-2038          | 26,175,000                  | 6,347,375                       | 32,522,375                   |
| 2039-2043          | 13,760,000                  | 2,904,800                       | 16,664,800                   |
| 2044-2047          | 7,200,000                   | 293,400                         | 7,493,400                    |
| <b>Total</b>       | <b><u>\$ 81,235,000</u></b> | <b><u>\$ 35,051,200</u></b>     | <b><u>\$ 116,286,200</u></b> |

**Certificates of Participation**

On August 1, 2008, the District issued two certificates of participation (COP) totaling \$7,070,000. These certificates were issued to finance the cost of a high school technology project, school sports facilities improvements, and construction of administrative and commercial office space. These certificates were refunded with the 2012 refunding certificates. During 2017, the District issued refunding certificates of participation (refunding certificates) to refund the 2012 certificates in the amount of \$3,059,000 with interest ranging from 2.0% to 2.5% to refund \$3,335,000. As of June 30, 2023, the principal outstanding of the 2017 refunding certificates was \$149,000.

The certificates mature through 2024 as follows:

| <u>Year Ending<br/>June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|------------------|-----------------|--------------|
| 2024                            | \$ 149,000       | \$ 1,475        | \$ 150,475   |

**Note 9 - Total Other Postemployment Benefit (OPEB) Liability**

For the fiscal year ended June 30, 2023, the District reported total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense as follows:

| <u>OPEB Plan</u> | <u>Total OPEB Liability</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> | <u>OPEB Expense</u> |
|------------------|-----------------------------|---------------------------------------|--------------------------------------|---------------------|
| District Plan    | \$ 7,835,039                | \$ 1,067,333                          | \$ 719,006                           | \$ 313,662          |

**Plan Administration**

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

**Plan Membership**

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

|   |                   |
|---|-------------------|
| Inactive employees or beneficiaries currently receiving benefits payments | 39                |
| Active employees  | <u>272</u>        |
| Total   | <u><u>311</u></u> |

**Contributions**

The contribution requirements of Plan members and the District are established and may be amended by the District, the various represented groups, and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2022-2023, the District contributed \$249,445 to the Plan, all of which was used for current premiums.

**Benefits Provided**

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

| Certificated Employees |                |                            |           |              | Annual Premium Increases 10% or Less |                 | Annual Premium Increases more than 10% |                |
|------------------------|----------------|----------------------------|-----------|--------------|--------------------------------------|-----------------|--|----------------|
| Hire Date              | Retirement Age | Years of Full Time Service | Plan Pays | Retiree Pays | Plan Pick up                         | Retiree Pick up | Plan Pick up                           | Retire Pick up |
| Prior to July 2006     | 55             | 10                         | 75%       | 25%          | Half                                 | Half            | 5% increase                            | Remainder      |
|                        | 56             | 10                         | 80%       | 20%          | Half                                 | Half            | 5% increase                            | Remainder      |
|                        | 57             | 10                         | 85%       | 15%          | Half                                 | Half            | 5% increase                            | Remainder      |
|                        | 58             | 10                         | 90%       | 10%          | Half                                 | Half            | 5% increase                            | Remainder      |
|                        | 59             | 10                         | 95%       | 5%           | Half                                 | Half            | 5% increase                            | Remainder      |
|                        | 60-64          | 10                         | 100%      | 0%           | Half                                 | Half            | 5% increase                            | Remainder      |
| July 2006 or after     | 58             | 20                         | 90%       | 10%          | Half                                 | Half            | 5% increase                            | Remainder      |
|                        | 59             | 20                         | 95%       | 5%           | Half                                 | Half            | 5% increase                            | Remainder      |
|                        | 60-64          | 20                         | 100%      | 0%           | Half                                 | Half            | 5% increase                            | Remainder      |

| Classified and Management |                |                            |           |              | Annual Premium Increases 10% or Less |                 | Annual Premium Increases more than 10% |                |
|---------------------------|----------------|----------------------------|-----------|--------------|--------------------------------------|-----------------|--|----------------|
| Hire Date                 | Retirement Age | Years of Full Time Service | Plan Pays | Retiree Pays | Plan Pick up                         | Retiree Pick up | Plan Pick up                           | Retire Pick up |
| No cut off date           | 55             | 10                         | 75%       | 25%          | Half                                 | Half            | 5% increase                            | Remainder      |
|                           | 56             | 10                         | 80%       | 20%          | Half                                 | Half            | 5% increase                            | Remainder      |
|                           | 57             | 10                         | 85%       | 15%          | Half                                 | Half            | 5% increase                            | Remainder      |
|                           | 58             | 10                         | 90%       | 10%          | Half                                 | Half            | 5% increase                            | Remainder      |
|                           | 59             | 10                         | 95%       | 5%           | Half                                 | Half            | 5% increase                            | Remainder      |
|                           | 60-64          | 10                         | 100%      | 0%           | Half                                 | Half            | 5% increase                            | Remainder      |

**Actuarial Assumptions**

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

|                             |  |
|-----------------------------|--|
| Inflation                   | 2.50 percent                               |
| Salary increases            | 2.75 percent, average, including inflation |
| Discount rate               | 3.65 percent                               |
| Healthcare cost trend rates | 4.00 percent                               |

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

Mortality rates were based on the 2020 CalSTRS Mortality Table for certificated employees and the 2017 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

**Total OPEB Liability of the District**

The District's total OPEB liability of \$7,835,039 was determined by an actuarial valuation as of June 30, 2022.

**Changes in the Total OPEB Liability**

|  | <u>Total OPEB<br/>Liability</u> |
|--|---------------------------------|
| Balance, June 30, 2022                 | \$ 7,361,247                    |
| Service cost                           | 489,001                         |
| Interest                               | 265,418                         |
| Changes of assumptions or other inputs | (64,498)                        |
| Benefit payments                       | <u>(216,129)</u>                |
| Net change in total OPEB liability     | <u>473,792</u>                  |
| Balance, June 30, 2023                 | <u><u>\$ 7,835,039</u></u>      |

Changes of assumptions and other inputs reflect a change in the discount rate from 3.54% in 2022 to 3.65% in 2023.

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.65%) or 1-percentage-point higher (4.65%) than the current discount rate:

| <u>Discount Rate</u>          | <u>Total OPEB<br/>Liability</u> |
|-------------------------------|---------------------------------|
| 1% decrease (2.65%)           | \$ 8,384,877                    |
| Current discount rate (3.65%) | 7,835,039                       |
| 1% increase (4.65%)           | 7,326,473                       |



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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3%) or 1-percentage-point higher (5%) than the current healthcare costs trend rates:

| <u>Healthcare Cost Trend Rate</u>         | <u>Total OPEB Liability</u> |
|---|-----------------------------|
| 1% decrease (3.0%)                        | \$ 6,972,608                |
| Current healthcare cost trend rate (4.0%) | 7,835,039                   |
| 1% increase (5.0%)                        | 8,832,599                   |

**OPEB Expense and Deferred Outflows of Resource Related to OPEB**

For the year ended June 30, 2023, the District recognized OPEB expense of \$313,662. The amount was recorded in the Statement of Activities.

At June 30, 2023, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

|  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Contributions subsequent to measurement date       | \$ 249,445                                | \$ -                                     |
| Differences between expected and actual experience | 507,764                                   | 52,896                                   |
| Changes of assumptions                             | 310,124                                   | 666,110                                  |
| Total  | <u>\$ 1,067,333</u>                       | <u>\$ 719,006</u>                        |

The remaining deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year Ended<br/>June 30,</u> | <u>Deferred<br/>Outflows/(Inflows)<br/>of Resources</u> |
|--------------------------------|---|
| 2023                           | \$ 24,817   |
| 2024                           | 24,817  |
| 2025                           | 24,817  |
| 2026                           | 24,817  |
| 2027                           | 24,817  |
| Thereafter                     | <u>(25,203)</u>   |
| Total                          | <u>\$ 98,882</u>  |

Los Gatos-Saratoga Joint Union High School District

Notes to Financial Statements

June 30, 2023

**Note 10 - Fund Balances**

Fund balances are composed of the following elements:

|                                       | General<br>Fund      | Building<br>Fund    | Special Reserve<br>Fund for Capital<br>Outlay Projects | Bond Interest<br>and Redemption<br>Fund | Non-Major<br>Governmental<br>Funds | Total                |
|---------------------------------------|----------------------|---------------------|--|---|------------------------------------|----------------------|
| <b>Nonspendable</b>                   |                      |                     |  |   |                                    |                      |
| Revolving cash                        | \$ 11,400            | \$ -                | \$ -   | \$ -                                    | \$ 600                             | \$ 12,000            |
| Stores inventories                    | 3,654                | -                   | -  | -                                       | 16,931                             | 20,585               |
| Total nonspendable                    | <u>15,054</u>        | <u>-</u>            | <u>-</u>   | <u>-</u>                                | <u>17,531</u>                      | <u>32,585</u>        |
| <b>Restricted</b>                     |                      |                     |  |   |                                    |                      |
| Educational programs                  | 2,946,684            | -                   | -  | -                                       | 1,466,303                          | 4,412,987            |
| Capital projects                      | -                    | 7,875,292           | 10,545,306   | -                                       | 431,078                            | 18,851,676           |
| Debt services                         | -                    | -                   | -  | 5,001,274                               | -                                  | 5,001,274            |
| Total restricted                      | <u>2,946,684</u>     | <u>7,875,292</u>    | <u>10,545,306</u>                                      | <u>5,001,274</u>                        | <u>1,897,381</u>                   | <u>28,265,937</u>    |
| <b>Assigned</b>                       |                      |                     |  |   |                                    |                      |
| Capital Projects                      | -                    | -                   | 178,955  | -                                       | 808,641                            | 987,596              |
| Postemployment benefits               | -                    | -                   | -  | -                                       | 1,124,709                          | 1,124,709            |
| Total assigned                        | <u>-</u>             | <u>-</u>            | <u>178,955</u>   | <u>-</u>                                | <u>1,933,350</u>                   | <u>2,112,305</u>     |
| <b>Unassigned</b>                     |                      |                     |  |   |                                    |                      |
| Reserve for economic<br>uncertainties | 10,612,350           | -                   | -  | -                                       | -                                  | 10,612,350           |
| Remaining unassigned                  | -                    | -                   | -  | -                                       | (137,771)                          | (137,771)            |
| Total unassigned                      | <u>10,612,350</u>    | <u>-</u>            | <u>-</u>   | <u>-</u>                                | <u>(137,771)</u>                   | <u>10,474,579</u>    |
| Total                                 | <u>\$ 13,574,088</u> | <u>\$ 7,875,292</u> | <u>\$ 10,724,261</u>                                   | <u>\$ 5,001,274</u>                     | <u>\$ 3,710,491</u>                | <u>\$ 40,885,406</u> |

**Note 11 - Risk Management**

**Property and Liability**

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. During fiscal year ending June 30, 2023, the District participated in the South Bay Area Schools' Insurance Authority (SBASIA) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years.

**Workers' Compensation**

For fiscal year 2023, the District participated in the Santa Clara County Schools' Insurance Group (SCCSIG) and South Bay Area Schools' Insurance Authority (SBASIA), insurance purchasing pools. The intent of the SCCSIG and SBASIA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the SCCSIG and SBASIA. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the SCCSIG. Each participant pays its workers' compensation premium based on its individual rate. Total savings for both agencies are then calculated, and each participant's individual performance is compared to the overall savings. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the agencies. Participation in the agencies is limited to districts that can meet their selection criteria.

Coverage for property and liability and workers' compensation is as follows:

| Insurance Program / Company Name  | Type of Coverage  | Limits       |
|---|---|--------------|
| Protected Insurance Program for School<br>South Bay Area School's Insurance Authority | Workers' Compensation   | \$1,000,000  |
|   | Liability (includes General Liability,<br>Auto Liability, and Errors & Omissions) | \$50,000,000 |
|   | Property  | \$5,000,000  |
|   | Crime   | \$250,000    |

**Note 12 - Employee Retirement Systems**

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

For the fiscal year ended June 30, 2023, the District reported net pension liabilities (also known as pension UAL, Unfunded Accrued Liability), deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

| Pension Plan | Net<br>Pension Liability | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources | Pension Expense     |
|--------------|--------------------------|-----------------------------------|----------------------------------|---------------------|
| CalSTRS      | \$ 30,386,868            | \$ 7,417,272                      | \$ 5,484,682                     | \$ 2,584,745        |
| CalPERS      | 16,760,031               | 6,189,380                         | 838,602                          | 2,163,058           |
| Total        | <u>\$ 47,146,899</u>     | <u>\$ 13,606,652</u>              | <u>\$ 6,323,284</u>              | <u>\$ 4,747,803</u> |

The details of each plan are as follows:

### California State Teachers' Retirement System (CalSTRS)

#### Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/member-publications>.

#### Benefits Provided

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

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

The District makes contributions for certificated staff exclusively to the STRP Defined Benefit Program; thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2023, are summarized as follows:

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

**Contributions**

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1% of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2023, are presented above and the District's total contributions were \$5,081,104.

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

At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

|  |                             |
|--|-----------------------------|
| Total net pension liability, including State share       |                             |
| Proportionate share of net pension liability             | \$ 30,386,868               |
| State's proportionate share of the net pension liability | <u>15,217,625</u>           |
| Total  | <u><u>\$ 45,604,493</u></u> |

The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2022, and June 30, 2021, respectively was 0.0437% and 0.0446%, resulting in a net decrease in the proportionate share of 0.0009%.

# Los Gatos-Saratoga Joint Union High School District

Notes to Financial Statements

June 30, 2023

For the year ended June 30, 2023, the District recognized pension expense of \$2,584,745. In addition, the District recognized pension expense and revenue of \$1,227,291 for support provided by the State. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date  | \$ 5,081,104                      | \$ -                             |
| Change in proportion and differences between contributions made and District's proportionate share of contributions | 804,273                           | 1,720,324                        |
| Differences between projected and actual earnings on pension plan investments                                       | -                                 | 1,485,977                        |
| Differences between expected and actual experience in the measurement of the total pension liability                | 24,927                            | 2,278,381                        |
| Changes of assumptions  | 1,506,968                         | -                                |
| Total   | \$ 7,417,272                      | \$ 5,484,682                     |

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

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

| Year Ended<br>June 30, | Deferred<br>Outflows/(Inflows)<br>of Resources |
|------------------------|--|
| 2023                   | \$ (1,091,560)                                 |
| 2024                   | (1,182,520)                                    |
| 2025                   | (1,776,386)                                    |
| 2026                   | 2,564,489                                      |
| Total                  | \$ (1,485,977)                                 |

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

The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

| Year Ended<br>June 30, | Deferred<br>Outflows/(Inflows)<br>of Resources |
|------------------------|--|
| 2023                   | \$ 855,206                                     |
| 2024                   | (502,311)                                      |
| 2025                   | (556,845)                                      |
| 2026                   | (641,465)                                      |
| 2027                   | (538,700)                                      |
| Thereafter             | (278,422)                                      |
| Total                  | <u>\$ (1,662,537)</u>                          |

### Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021, and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

|                           |                                    |
|---------------------------|------------------------------------|
| Valuation date            | June 30, 2021                      |
| Measurement date          | June 30, 2022                      |
| Experience study          | July 1, 2015 through June 30, 2018 |
| Actuarial cost method     | Entry age normal                   |
| Discount rate             | 7.10%                              |
| Investment rate of return | 7.10%                              |
| Consumer price inflation  | 2.75%                              |
| Wage growth               | 3.50%                              |

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110% of the ultimate improvement factor from the Mortality Improvement Scale (MP-2019) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2020 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions.

Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2022, are summarized in the following table:

| Asset Class                | Assumed Asset Allocation | Long-Term Expected Real Rate of Return |
|----------------------------|--------------------------|--|
| Public equity              | 42%                      | 4.8%                                   |
| Real estate                | 15%                      | 3.6%                                   |
| Private equity             | 13%                      | 6.3%                                   |
| Fixed income               | 12%                      | 1.3%                                   |
| Risk mitigating strategies | 10%                      | 1.8%                                   |
| Inflation sensitive        | 6%                       | 3.3%                                   |
| Cash/liquidity             | 2%                       | -0.4%                                  |

**Discount Rate**

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

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

| Discount Rate                 | Net Pension Liability |
|-------------------------------|-----------------------|
| 1% decrease (6.10%)           | \$ 51,608,172         |
| Current discount rate (7.10%) | 30,386,868            |
| 1% increase (8.10%)           | 12,766,805            |

**California Public Employees Retirement System (CalPERS)**

**Plan Description**

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



A full description of the pension plan(s) regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:

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

**Benefits Provided**

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

The CalPERS provisions and benefits in effect at June 30, 2023, are summarized as follows:

|   | School Employer Pool (CalPERS)    |                                |
|---|-----------------------------------|--------------------------------|
|   | On or before<br>December 31, 2012 | On or after<br>January 1, 2013 |
| Hire date   |                                   |                                |
| Benefit formula   | 2% at 55                          | 2% at 62                       |
| Benefit vesting schedule                                  | 5 years of service                | 5 years of service             |
| Benefit payments  | Monthly for life                  | Monthly for life               |
| Retirement age  | 55                                | 62                             |
| Monthly benefits as a percentage of eligible compensation | 1.1% - 2.5%                       | 1.0% - 2.5%                    |
| Required employee contribution rate                       | 7.00%                             | 8.00%                          |
| Required employer contribution rate                       | 25.37%                            | 25.37%                         |

**Contributions**

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2023, are presented above and the total District contributions were \$2,152,894.

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$16,760,031. The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2022, and June 30, 2021, respectively was 0.0487% and 0.0452%, resulting in a net increase in the proportionate share of 0.0035%.

For the year ended June 30, 2023, the District recognized pension expense of \$2,163,058. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|---|---|--|
| Pension contributions subsequent to measurement date  | \$ 2,152,894                              | \$ -                                     |
| Change in proportion and differences between contributions made and District's proportionate share of contributions | 742,024                                   | 421,591                                  |
| Differences between projected and actual earnings on pension plan investments                                       | 1,978,904                                 | -  |
| Differences between expected and actual experience in the measurement of the total pension liability                | 75,746                                    | 417,011                                  |
| Changes of assumptions  | <u>1,239,812</u>                          | <u>-</u>                                 |
| Total   | <u>\$ 6,189,380</u>                       | <u>\$ 838,602</u>                        |

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

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

| <u>Year Ended<br/>June 30,</u> | <u>Deferred<br/>Outflows<br/>of Resources</u> |
|--------------------------------|---|
| 2023                           | \$ 330,019                                    |
| 2024                           | 292,704                                       |
| 2025                           | 149,516                                       |
| 2026                           | <u>1,206,665</u>                              |
| Total                          | <u>\$ 1,978,904</u>                           |

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

| Year Ended<br>June 30, | Deferred<br>Outflows<br>of Resources |
|------------------------|--------------------------------------|
| 2023                   | \$ 275,235                           |
| 2024                   | 445,264                              |
| 2025                   | 487,497                              |
| 2026                   | 10,984                               |
| Total                  | <u>\$ 1,218,980</u>                  |

**Actuarial Methods and Assumptions**

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2021 and rolling forward the total pension liability to June 30, 2022. The financial reporting actuarial valuation as of June 30, 2021, used the following methods and assumptions, applied to all prior periods included in the measurement:

|                           |                                    |
|---------------------------|------------------------------------|
| Valuation date            | June 30, 2021                      |
| Measurement date          | June 30, 2022                      |
| Experience study          | July 1, 1997 through June 30, 2015 |
| Actuarial cost method     | Entry age normal                   |
| Discount rate             | 6.90%                              |
| Investment rate of return | 6.90%                              |
| Consumer price inflation  | 2.30%                              |
| Wage growth               | Varies by entry age and service    |

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries. 90% of scale MP-2016.

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 ten years) and the long-term (11+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

| <u>Asset Class</u>             | <u>Assumed Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------------------|---------------------------------|---|
| Global Equity - cap-weighted   | 30%                             | 4.45%   |
| Global Equity non-cap-weighted | 12%                             | 3.84%   |
| Private Equity                 | 13%                             | 7.28%   |
| Treasury                       | 5%                              | 0.27%   |
| Mortgage-backed Securities     | 5%                              | 0.50%   |
| Investment Grade Corporates    | 10%                             | 1.56%   |
| High Yield                     | 5%                              | 2.27%   |
| Emerging Market Debt           | 5%                              | 2.48%   |
| Private Debt                   | 5%                              | 3.57%   |
| Real Assets                    | 15%                             | 3.21%   |
| Leverage                       | -5%                             | -0.59%  |

#### Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

| <u>Discount Rate</u>          | <u>Net Pension Liability</u> |
|-------------------------------|------------------------------|
| 1% decrease (5.90%)           | \$ 24,210,714                |
| Current discount rate (6.90%) | 16,760,031                   |
| 1% increase (7.90%)           | 10,602,316                   |

#### On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$2,441,214 (10.828% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves.

**Social Security**

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. The District has elected to use Social Security.

**Note 13 - Commitments and Contingencies****Grants**

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2023.

**Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2023.

**Construction Commitments**

As of June 30, 2023, the District had approximately \$4.7 million commitments with respect to the unfinished capital projects.

**Note 14 - Participation in Public Entity Risk Pools and Joint Power Authorities**

The District is a member of the South Bay Area Schools' Insurance Authority and the Santa Clara County Schools' Insurance Group. The District pays an annual premium to the applicable risk pool for its health, workers' compensation, and property liability coverage. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

Los Gatos-Saratoga Joint Union High School District

Notes to Financial Statements

June 30, 2023

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

During the year ended June 30, 2023, the District made the following payments:

|   |                                |
|---|--------------------------------|
| South Bay Area Schools' Insurance Authority | \$ 549,383                     |
| Santa Clara County Schools' Insurance Group | 497,994                        |
| West Valley Transportation JPA              | <u>66,448</u>                  |
| <br>Total                                   | <br><u><u>\$ 1,113,825</u></u> |

**Note 15 - Restatement of Prior Year Net Position and Fund Balance**

During the 2023 fiscal year, the District identified misstatements within the fiscal year 2022 financial statements that effect the balance of the fiscal year 2023 financial statements related to amounts classified as “cash collections awaiting deposit” within the nonmajor cafeteria fund.

The following is a summary of the effects of such restatement on the balance of net position as of the July 1, 2022, beginning balance date:

|   |                             |
|---|-----------------------------|
| <b>Governmental Activities</b>                              |                             |
| Beginning Net Position previously reported at June 30, 2022 | \$ 18,698,502               |
| Adjustment to cash  | <u>(165,004)</u>            |
| Net Position - Beginning as Restated                        | <u><u>\$ 18,533,498</u></u> |
| <br><b>Nonmajor Governmental Fund</b>                       |                             |
| Beginning Fund Balance previously reported at June 30, 2022 | \$ 3,344,775                |
| Adjustment to cash  | <u>(165,004)</u>            |
| Fund Balance - Beginning as Restated                        | <u><u>\$ 3,179,771</u></u>  |



Required Supplementary Information  
June 30, 2023

# Los Gatos-Saratoga Joint Union High School District

Los Gatos-Saratoga Joint Union High School District  
 General Fund Budgetary Comparison Schedule  
 Year Ended June 30, 2023

|  | Budgeted Amounts            |                             | Actual                      | Variances -<br>Positive<br>(Negative) |
|--|-----------------------------|-----------------------------|-----------------------------|---------------------------------------|
|  | Original                    | Final                       |                             | Final<br>to Actual                    |
| <b>Revenues</b>                                      |                             |                             |                             |                                       |
| Local Control Funding Formula                        | \$ 59,547,954               | \$ 61,500,862               | \$ 62,329,122               | \$ 828,260                            |
| Federal sources                                      | 845,121                     | 844,915                     | 1,224,940                   | 380,025                               |
| Other State sources                                  | 5,268,281                   | 5,451,762                   | 5,975,964                   | 524,202                               |
| Other local sources                                  | 4,560,663                   | 4,587,812                   | 5,546,922                   | 959,110                               |
| Total revenues                                       | <u>70,222,019</u>           | <u>72,385,351</u>           | <u>75,076,948</u>           | <u>2,691,597</u>                      |
| <b>Expenditures</b>                                  |                             |                             |                             |                                       |
| <b>Current</b>                                       |                             |                             |                             |                                       |
| Certificated salaries                                | 26,144,915                  | 26,558,433                  | 26,960,077                  | (401,644)                             |
| Classified salaries                                  | 8,866,278                   | 9,377,309                   | 9,568,287                   | (190,978)                             |
| Employee benefits                                    | 19,329,139                  | 19,981,398                  | 19,035,846                  | 945,552                               |
| Books and supplies                                   | 2,611,296                   | 3,107,579                   | 1,850,643                   | 1,256,936                             |
| Services and operating expenditures                  | 9,920,528                   | 10,608,561                  | 11,986,149                  | (1,377,588)                           |
| Other outgo  | 250,874                     | 250,874                     | 162,451                     | 88,423                                |
| Capital Outlay                                       | -                           | 66,519                      | 304,301                     | (237,782)                             |
| <b>Debt service</b>                                  |                             |                             |                             |                                       |
| Debt service - principal                             | -                           | -                           | 23,510                      | (23,510)                              |
| Debt service - interest                              | -                           | -                           | 28,666                      | (28,666)                              |
| Total expenditures                                   | <u>67,123,030</u>           | <u>69,950,673</u>           | <u>69,919,930</u>           | <u>30,743</u>                         |
| Excess (Deficiency) of Revenues<br>Over Expenditures | 3,098,989                   | 2,434,678                   | 5,157,018                   | 2,722,340                             |
| <b>Other Financing Sources (Uses)</b>                |                             |                             |                             |                                       |
| Transfers out  | <u>(2,790,355)</u>          | <u>(2,687,718)</u>          | <u>(3,371,358)</u>          | <u>(683,640)</u>                      |
| Net Change in Fund Balances                          | 308,634                     | (253,040)                   | 1,785,660                   | 2,038,700                             |
| Fund Balance - Beginning                             | <u>11,788,428</u>           | <u>11,788,428</u>           | <u>11,788,428</u>           | <u>11,788,428</u>                     |
| Fund Balance - Ending                                | <u><u>\$ 12,097,062</u></u> | <u><u>\$ 11,535,388</u></u> | <u><u>\$ 13,574,088</u></u> | <u><u>\$ 2,038,700</u></u>            |



Los Gatos-Saratoga Joint Union High School District  
Schedule of Changes in the District's Total OPEB Liability and Related Ratios  
Last Ten Fiscal Years

|  | 2023                 | 2022                 | 2021                 | 2020                 | 2019                 | 2018                 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total OPEB Liability   |                      |                      |                      |                      |                      |                      |
| Service cost   | \$ 489,001           | \$ 541,897           | \$ 524,339           | \$ 544,039           | \$ 505,736           | \$ 492,200           |
| Interest   | 265,418              | 168,599              | 159,466              | 194,836              | 170,352              | 163,912              |
| Difference between expected and actual experience                | -                    | (64,272)             | -                    | 755,456              | -                    | -                    |
| Changes of assumptions   | (64,498)             | (737,928)            | 24,582               | 332,269              | 119,977              | -                    |
| Benefit payments   | (216,129)            | (163,224)            | (156,965)            | (113,154)            | (118,196)            | (113,650)            |
| Net change in total OPEB liability                               | 473,792              | (254,928)            | 551,422              | 1,713,446            | 677,869              | 542,462              |
| Total OPEB Liability - Beginning                                 | 7,361,247            | 7,616,175            | 7,064,753            | 5,351,307            | 4,673,438            | 4,130,976            |
| Total OPEB Liability - Ending                                    | <u>\$ 7,835,039</u>  | <u>\$ 7,361,247</u>  | <u>\$ 7,616,175</u>  | <u>\$ 7,064,753</u>  | <u>\$ 5,351,307</u>  | <u>\$ 4,673,438</u>  |
| Covered-employee Payroll   | <u>\$ 37,238,956</u> | <u>\$ 35,219,466</u> | <u>\$ 32,551,509</u> | <u>\$ 32,365,617</u> | <u>\$ 32,713,367</u> | <u>\$ 31,113,964</u> |
| Total OPEB Liability as a Percentage of Covered-employee Payroll | <u>21.04%</u>        | <u>20.90%</u>        | <u>23.40%</u>        | <u>21.83%</u>        | <u>16.36%</u>        | <u>15.02%</u>        |
| Measurement Date   | June 30, 2023        | June 30, 2022        | June 30, 2021        | June 30, 2020        | June 30, 2019        | June 30, 2018        |

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

Los Gatos-Saratoga Joint Union High School District  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Last Ten Fiscal Years

|   | 2023          | 2022          | 2021          | 2020          | 2019          | 2018          | 2017          | 2016          |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>CalSTRS</b>  |               |               |               |               |               |               |               |               |
| Proportion of the net pension liability   | 0.0437%       | 0.0442%       | 0.0449%       | 0.0432%       | 0.0427%       | 0.0419%       | 0.0434%       | 0.0440%       |
| Proportionate share of the net pension liability  | \$ 30,386,868 | \$ 20,277,653 | \$ 40,529,826 | \$ 39,723,824 | \$ 39,473,161 | \$ 33,909,258 | \$ 29,219,390 | \$ 25,705,965 |
| State's proportionate share of the net pension liability                                | 15,217,625    | 10,202,928    | 22,111,726    | 22,743,747    | 23,351,989    | 19,303,936    | 15,453,836    | 15,522,372    |
| Total   | \$ 45,604,493 | \$ 30,480,581 | \$ 62,641,552 | \$ 62,467,571 | \$ 62,825,150 | \$ 53,213,194 | \$ 44,673,226 | \$ 41,228,337 |
| Covered payroll   | \$ 25,337,163 | \$ 25,646,836 | \$ 23,196,480 | \$ 20,585,657 | \$ 19,595,177 | \$ 18,251,924 | \$ 17,115,676 | 19,338,506    |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 119.93%       | 79.06%        | 174.72%       | 192.97%       | 201.44%       | 185.78%       | 170.72%       | 133%          |
| Plan fiduciary net position as a percentage of the total pension liability              | 81.00%        | 87.20%        | 72.00%        | 73.00%        | 71.00%        | 69.00%        | 70.04%        | 74.02%        |
| Measurement Date  | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 |
| <b>CalPERS</b>  |               |               |               |               |               |               |               |               |
| Proportion of the net pension liability   | 0.0487%       | 0.0460%       | 0.0486%       | 0.0471%       | 0.0505%       | 0.0530%       | 0.0562%       | 0.0570%       |
| Proportionate share of the net pension liability  | \$ 16,760,031 | \$ 9,185,163  | \$ 14,155,168 | \$ 12,547,875 | \$ 12,066,953 | \$ 10,460,780 | \$ 8,282,421  | \$ 6,473,959  |
| Covered payroll   | \$ 7,490,345  | \$ 6,311,947  | \$ 6,161,371  | \$ 5,336,447  | \$ 5,733,275  | \$ 5,444,938  | \$ 6,181,270  | 5,935,341     |
| Proportionate share of the net pension liability as a percentage of its covered payroll | 223.76%       | 145.52%       | 229.74%       | 235.14%       | 210.47%       | 192.12%       | 133.99%       | 109%          |
| Plan fiduciary net position as a percentage of the total pension liability              | 69.80%        | 81.00%        | 70.00%        | 70.00%        | 71.00%        | 72.00%        | 73.90%        | 79.43%        |
| Measurement Date  | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 |

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

Los Gatos-Saratoga Joint Union High School District  
Schedule of the District's Contributions for Pension  
Last Ten Fiscal Years

|   | 2023                 | 2022                 | 2021                 | 2020                 | 2019                 | 2018                 | 2017                 | 2016                 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>CalSTRS</b>  |                      |                      |                      |                      |                      |                      |                      |                      |
| Contractually required contribution                                       | \$ 5,081,104         | \$ 4,287,048         | \$ 4,141,964         | \$ 3,966,598         | \$ 3,351,345         | \$ 2,827,584         | \$ 2,296,092         | \$ 1,836,512         |
| Less contributions in relation to the contractually required contribution | 5,081,104            | 4,287,048            | 4,141,964            | 3,966,598            | 3,351,345            | 2,827,584            | 2,296,092            | 1,836,512            |
| Contribution deficiency (excess)  | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          |
| Covered-employee payroll  | <u>\$ 26,602,639</u> | <u>\$ 25,337,163</u> | <u>\$ 25,646,836</u> | <u>\$ 23,196,480</u> | <u>\$ 20,585,657</u> | <u>\$ 19,595,177</u> | <u>\$ 18,251,924</u> | <u>\$ 17,115,676</u> |
| Contributions as a percentage of covered-employee payroll                 | <u>19.10%</u>        | <u>16.92%</u>        | <u>16.15%</u>        | <u>17.10%</u>        | <u>16.28%</u>        | <u>14.43%</u>        | <u>12.58%</u>        | <u>10.73%</u>        |
| <b>CalPERS</b>  |                      |                      |                      |                      |                      |                      |                      |                      |
| Contractually required contribution                                       | \$ 2,152,894         | \$ 1,716,038         | \$ 1,306,573         | \$ 1,215,084         | \$ 963,869           | \$ 890,435           | \$ 756,193           | \$ 732,295           |
| Less contributions in relation to the contractually required contribution | 2,152,894            | 1,716,038            | 1,306,573            | 1,215,084            | 963,869              | 890,435              | 756,193              | 732,295              |
| Contribution deficiency (excess)  | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          |
| Covered-employee payroll  | <u>\$ 8,485,983</u>  | <u>\$ 7,490,345</u>  | <u>\$ 6,311,947</u>  | <u>\$ 6,161,371</u>  | <u>\$ 5,336,447</u>  | <u>\$ 5,733,275</u>  | <u>\$ 5,444,938</u>  | <u>\$ 6,181,270</u>  |
| Contributions as a percentage of covered-employee payroll                 | <u>25.370%</u>       | <u>22.910%</u>       | <u>20.700%</u>       | <u>19.721%</u>       | <u>18.0620%</u>      | <u>15.5310%</u>      | <u>13.8880%</u>      | <u>11.8470%</u>      |

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

**Note 1 - Purpose of Schedules**

**Budgetary Comparison Schedule**

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

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

These schedules present information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

At June 30, 2023, the District’s General fund exceeded the budgeted amount in total as follows:

| Funds         | Expenditures and Other Uses |                      |                   |
|---------------|-----------------------------|----------------------|-------------------|
|               | Budget                      | Actual               | Excess            |
| Genral Fund   |                             |                      |                   |
| Expenditures  | \$ 69,950,673               | \$ 69,919,930        | \$ (30,743)       |
| Transfers out | 2,687,718                   | 3,371,358            | 683,640           |
| Total         | <u>\$ 72,638,391</u>        | <u>\$ 73,291,288</u> | <u>\$ 652,897</u> |

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

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances. In the future, as data becomes available, ten years of information will be presented. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75.

- *Change in Benefit Terms* – There were no changes in benefit terms since the previous valuations.
- *Change of Assumptions* – The investment rate of return assumption was changed from 3.54% to 3.65% since the previous valuation.

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

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* – There were no changes in economic assumptions for either the CalSTRS. The discount rate change from 7.15% to 6.90% for CalPERS plans from the previous valuations.

**Schedule of the District's Contributions for Pension**

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.



Supplementary Information  
June 30, 2023

# Los Gatos-Saratoga Joint Union High School District

Los Gatos-Saratoga Joint Union High School District  
Schedule of Expenditures of Federal Awards  
June 30, 2023

| Federal Grantor/Pass-Through<br>Grantor/Program or Cluster Title | Federal Financial<br>Assistance<br>Listing/Federal<br>CFDA Number | Pass-Through<br>Entity<br>Identifying<br>Number | Federal<br>Expenditures |
|--|---|---|-------------------------|
| U.S. Department of Education                                     |   |   |                         |
| Passed Through California Department of Education (CDE)          |   |   |                         |
| Special Education Cluster  |   |   |                         |
| Special Education Grants to States                               | 84.027  | 13379   | \$ 649,105              |
| Special Education Grants to States                               | 84.027  | 15197   | <u>41,432</u>           |
| Total Special Education Cluster                                  |   |   | <u>690,537</u>          |
| Education Stabilization Fund                                     |   |   |                         |
| COVID-19, Elementary and Secondary School Emergency Relief Fund  | 84.425D   | 15618   | 340,884                 |
| COVID-19, Governor's Emergency Education Relief Fund             | 84.425C   | 15619   | <u>44,241</u>           |
| Subtotal   |   |   | 385,125                 |
| Supporting Effective Instruction State Grants                    | 84.367  | 14341   | 31,203                  |
| Career and Technical Education - Basic Grants to States          | 84.048  | 15294   | 23,805                  |
| Rehabilitation Services Vocational Rehabilitation                | 84.048  | 14891   | <u>94,270</u>           |
| Total U.S. Department of Education                               |   |   | <u>1,224,940</u>        |
| U.S. Department of Agriculture                                   |   |   |                         |
| Passed Through California Department of Education                |   |   |                         |
| Child Nutrition Cluster  |   |   |                         |
| National School Lunch Program - Meal Supplements                 | 10.555  | 13396   | 264,754                 |
| School Breakfast Program - Especially Needy Breakfast            | 10.553  | 13526   | <u>10,862</u>           |
| Total Child Nutrition Cluster                                    |   |   | <u>275,616</u>          |
| Total U.S. Department of Agriculture                             |   |   | <u>275,616</u>          |
| Total Federal Financial Assistance                               |   |   | <u>\$ 1,500,556</u>     |

**Organization**

The Los Gatos-Saratoga Joint Union High School District (the District) was organized under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades nine through twelve as mandated by the State of California. The District operates two high school and one alternative education program. There were no boundary changes during the year.

**Governing Board**

| Member          | Office         | Term Expires |
|-----------------|----------------|--------------|
| Katherine Tseng | President      | 2024         |
| Misty Davies    | Vice President | 2026         |
| Steve Chen      | Clerk          | 2026         |
| Alex Shultz     | Trustee        | 2026         |
| Theresa Bond    | Trustee        | 2024         |

**Administration**

| Name           | Title                          |
|----------------|--------------------------------|
| Bill Sanderson | Superintendent/Board Secretary |
| Delores Perley | Chief Business Officer         |



Los Gatos-Saratoga Joint Union High School District  
 Schedule of Average Daily Attendance  
 Year Ended June 30, 2023

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|   | Final Report            |                  |
|---|-------------------------|------------------|
|   | Second Period<br>Report | Annual<br>Report |
| Regular ADA<br>Ninth through twelfth  | 3,064.12                | 3,066.48         |
| Special Education, Nonpublic, Nonsectarian Schools<br>Ninth through twelfth               | 6.67                    | 6.91             |
| Extended Year Special Education, Nonpublic, Nonsectarian Schools<br>Ninth through twelfth | 0.66                    | 0.66             |
| Total ADA   | 3,071.45                | 3,074.05         |

Los Gatos-Saratoga Joint Union High School District  
 Schedule of Instructional Time  
 Year Ended June 30, 2023

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| Grade Level   | Minutes Requirement | Actual Minutes | Number of Days       |                     | Status    |
|---------------|---------------------|----------------|----------------------|---------------------|-----------|
|               |                     |                | Traditional Calendar | Multitrack Calendar |           |
| Grades 9 - 12 |                     |                |                      |                     |           |
| Grade 9       | 64,800              | 65190*         | 177*                 | N/A                 | Complied* |
| Grade 10      | 64,800              | 65190*         | 177*                 | N/A                 | Complied* |
| Grade 11      | 64,800              | 65190*         | 177*                 | N/A                 | Complied* |
| Grade 12      | 64,800              | 65190*         | 177*                 | N/A                 | Complied* |

\*The District has submitted a J-13A waiver to the California Department of Education because two of the District's schools were unexpectedly closed for emergency safety, as described at 2023-002 in the schedule of findings and questioned costs.

Los Gatos-Saratoga Joint Union High School District  
 Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
 Year Ended June 30, 2023

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Summarized below are the fund balance reconciliations between the unaudited actual financial report and the audit financial statement.

|  | General<br>Fund      | Building<br>Fund    | Special Reserve<br>Fund for Capital<br>Outlay Projects | Bond<br>Interest and<br>Redemption<br>Fund | Non-Major<br>Governmental<br>Funds |
|--|----------------------|---------------------|--|--|------------------------------------|
| <b>Fund Balance</b>                                  |                      |                     |  |  |                                    |
| Balance, June 30, 2023, unaudited actuals            | \$ 13,864,675        | \$ 8,123,694        | \$ 11,040,319  | \$ 5,149,457                               | \$ 3,944,354                       |
| Change in fund balance from:                         |                      |                     |  |  |                                    |
| Fair value of investments                            | (393,768)            | (248,402)           | (316,058)  | (148,183)                                  | (68,859)                           |
| Cash collections awaiting deposit                    | -                    | -                   | -  | -  | (165,004)                          |
| Lease receivables                                    | 1,667,177            | -                   | -  | -  | -                                  |
| Deferred inflow of resources from leases             | (1,563,996)          | -                   | -  | -  | -                                  |
| Balance, June 30, 2023, audited financial statements | <u>\$ 13,574,088</u> | <u>\$ 7,875,292</u> | <u>\$ 10,724,261</u>                                   | <u>\$ 5,001,274</u>                        | <u>\$ 3,710,491</u>                |

Los Gatos-Saratoga Joint Union High School District  
Schedule of Financial Trends and Analysis  
Year Ended June 30, 2023

|   | (Budget)<br>2024 <sup>1</sup> | 2023                  | 2022 <sup>1</sup>     | 2021 <sup>1</sup>     |
|---|-------------------------------|-----------------------|-----------------------|-----------------------|
| General Fund Revenues                             | \$ 73,068,097                 | \$ 75,076,948         | \$ 69,624,535         | \$ 67,619,481         |
| Total Revenues and Other Sources                  | <u>73,068,097</u>             | <u>75,076,948</u>     | <u>69,624,535</u>     | <u>67,619,481</u>     |
| Expenditures                                      | 72,703,877                    | 69,919,930            | 65,003,306            | 58,041,906            |
| Other uses and transfers out                      | <u>2,544,527</u>              | <u>3,371,358</u>      | <u>3,005,899</u>      | <u>4,584,753</u>      |
| Total Expenditures and Other Uses                 | <u>75,248,404</u>             | <u>73,291,288</u>     | <u>68,009,205</u>     | <u>62,626,659</u>     |
| Increase/(Decrease) in Fund Balance               | <u>(2,180,307)</u>            | <u>1,785,660</u>      | <u>1,615,330</u>      | <u>4,992,822</u>      |
| Ending Fund Balance                               | <u>\$ 11,393,781</u>          | <u>\$ 13,574,088</u>  | <u>\$ 11,788,428</u>  | <u>\$ 10,173,098</u>  |
| Available Reserves <sup>2</sup>                   | <u>\$ 5,291,188</u>           | <u>\$ 10,612,350</u>  | <u>\$ 8,967,672</u>   | <u>\$ 8,967,672</u>   |
| Available Reserves as a Percentage of Total Outgo | <u>7.03%</u>                  | <u>14.48%</u>         | <u>14.46%</u>         | <u>14.32%</u>         |
| Long-Term Liabilities                             | <u>\$ 138,008,097</u>         | <u>\$ 141,805,395</u> | <u>\$ 127,541,839</u> | <u>\$ 159,509,507</u> |
| K-12 Average Daily Attendance at P-2              | <u>3,020</u>                  | <u>3,071</u>          | <u>3,176</u>          | <u>3,422</u>          |

The General Fund balance has increased by \$3,400,990 over the past two years. The fiscal year 2024 budget projects a decrease of \$2,180,307 (16.1%). 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). The District's reserves exceed this standard.

The District has incurred operating surpluses in the past three years and anticipates having an operating surplus during the 2023-2024 fiscal year. Total long-term obligations have decreased by approx. \$17.70 million over the past two years.

Average daily attendance has decreased by 351 over the past two years. Additional decline of 51 ADA is anticipated during fiscal year 2023-2024.

<sup>1</sup> Financial information for 2024, 2022, and 2021 are included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Other than Capital Outlay.

Los Gatos-Saratoga Joint Union High School District  
Combining Balance Sheet - Non-Major Governmental Funds  
Year Ended June 30, 2023

|   | Student<br>Activity<br>Fund | Cafeteria<br>Fund | Deferred<br>Maintenance<br>Fund | Special Reserve<br>Fund for<br>Postemployment<br>Benefits | Capital<br>Facilities<br>Fund | Total<br>Non-Major<br>Governmental<br>Funds |
|---|-----------------------------|-------------------|---------------------------------|---|-------------------------------|---|
| <b>Assets</b>                                   |                             |                   |                                 |   |                               |   |
| Deposits and investments                        | \$ 1,477,867                | \$ 54,902         | \$ 792,264                      | \$ 1,115,659  | \$ 351,731                    | \$ 3,792,423                                |
| Receivables                                     | -                           | 68,993            | 4,869                           | 9,050   | 90,855                        | 173,767                                     |
| Stores inventories                              | -                           | 16,931            | -                               | -   | -                             | 16,931                                      |
| <b>Total assets</b>                             | <b>\$ 1,477,867</b>         | <b>\$ 140,826</b> | <b>\$ 797,133</b>               | <b>\$ 1,124,709</b>                                       | <b>\$ 442,586</b>             | <b>\$ 3,983,121</b>                         |
| <b>Liabilities and Fund Balances</b>            |                             |                   |                                 |   |                               |   |
| <b>Liabilities</b>                              |                             |                   |                                 |   |                               |   |
| Accounts payable                                | \$ 11,564                   | \$ 2,688          | \$ -                            | \$ -  | \$ -                          | \$ 14,252                                   |
| Due to other funds                              | -                           | 151,653           | -                               | -   | -                             | 151,653                                     |
| Unearned revenue                                | -                           | 106,725           | -                               | -   | -                             | 106,725                                     |
| <b>Total liabilities</b>                        | <b>11,564</b>               | <b>261,066</b>    | <b>-</b>                        | <b>-</b>  | <b>-</b>                      | <b>272,630</b>                              |
| <b>Deferred Inflows of Resources</b>            |                             |                   |                                 |   |                               |   |
| Deferred inflows of resources related to leases |                             |                   |                                 |   |                               |   |
| <b>Fund Balances</b>                            |                             |                   |                                 |   |                               |   |
| Nonspendable                                    | -                           | 17,531            | -                               | -   | -                             | 17,531                                      |
| Restricted                                      | 1,466,303                   | -                 | -                               | -   | 431,078                       | 1,897,381                                   |
| Assigned  | -                           | -                 | 797,133                         | 1,124,709   | 11,508                        | 1,933,350                                   |
| Unassigned                                      | -                           | (137,771)         | -                               | -   | -                             | (137,771)                                   |
| <b>Total fund balances</b>                      | <b>1,466,303</b>            | <b>(120,240)</b>  | <b>797,133</b>                  | <b>1,124,709</b>  | <b>442,586</b>                | <b>3,710,491</b>                            |
| <b>Total liabilities and fund balances</b>      | <b>\$ 1,477,867</b>         | <b>\$ 140,826</b> | <b>\$ 797,133</b>               | <b>\$ 1,124,709</b>                                       | <b>\$ 442,586</b>             | <b>\$ 3,983,121</b>                         |

Los Gatos-Saratoga Joint Union High School District  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds  
Year Ended June 30, 2023

|  | Student<br>Activity<br>Fund | Cafeteria<br>Fund   | Deferred<br>Maintenance<br>Fund | Special Reserve<br>Fund for<br>Postemployment<br>Benefits | Capital<br>Facilities<br>Fund | Total<br>Non-Major<br>Governmental<br>Funds |
|--|-----------------------------|---------------------|---------------------------------|---|-------------------------------|---|
| <b>Revenues</b>                                      |                             |                     |                                 |   |                               |   |
| Federal sources                                      | -                           | 275,616             | -                               | -   | -                             | 275,616                                     |
| Other State sources                                  | \$ -                        | \$ 808,413          | \$ -                            | \$ -  | \$ -                          | \$ 808,413                                  |
| Other local sources                                  | 3,199,847                   | 274,678             | 1,260                           | 22,956  | 270,949                       | 3,769,690                                   |
| Total revenues                                       | <u>3,199,847</u>            | <u>1,358,707</u>    | <u>1,260</u>                    | <u>22,956</u>   | <u>270,949</u>                | <u>4,853,719</u>                            |
| <b>Expenditures</b>                                  |                             |                     |                                 |   |                               |   |
| Current  |                             |                     |                                 |   |                               |   |
| Pupil services                                       |                             |                     |                                 |   |                               |   |
| Food services  | -                           | 1,953,268           | -                               | -   | -                             | 1,953,268                                   |
| Plant services                                       | -                           | -                   | -                               | -   | 37,212                        | 37,212                                      |
| Ancillary services                                   | 2,950,726                   | -                   | -                               | -   | -                             | 2,950,726                                   |
| Debt service   |                             |                     |                                 |   |                               |   |
| Principal  | -                           | -                   | -                               | -   | 202,000                       | 202,000                                     |
| Interest and other                                   | -                           | -                   | -                               | -   | 3,139                         | 3,139                                       |
| Total expenditures                                   | <u>2,950,726</u>            | <u>1,953,268</u>    | <u>-</u>                        | <u>-</u>  | <u>242,351</u>                | <u>5,146,345</u>                            |
| Excess (Deficiency) of Revenues<br>Over Expenditures | 249,121                     | (594,561)           | 1,260                           | 22,956  | 28,598                        | (292,626)                                   |
| <b>Other Financing Sources (Uses)</b>                |                             |                     |                                 |   |                               |   |
| Transfers in   |                             |                     |                                 |   |                               |   |
|  | -                           | 623,346             | 200,000                         | -   | -                             | 823,346                                     |
| Net Financing Sources (Uses)                         | <u>-</u>                    | <u>623,346</u>      | <u>200,000</u>                  | <u>-</u>  | <u>-</u>                      | <u>823,346</u>                              |
| Net Change in Fund Balances                          | 249,121                     | 28,785              | 201,260                         | 22,956  | 28,598                        | 530,720                                     |
| Fund Balance - Beginning, restated                   | 1,217,182                   | (149,025)           | 595,873                         | 1,101,753   | 413,988                       | 3,179,771                                   |
| Fund Balance - Ending                                | <u>\$ 1,466,303</u>         | <u>\$ (120,240)</u> | <u>\$ 797,133</u>               | <u>\$ 1,124,709</u>                                       | <u>\$ 442,586</u>             | <u>\$ 3,710,491</u>                         |

**Note 1 - Purpose of Schedule****Schedule of Expenditures of Federal Awards (SEFA)****Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Los Gatos-Saratoga Joint Union High School District (the District) under programs of the federal government for the year ended June 30, 2023. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position and fund balance of the District.

**Summary of Significant Accounting Policies**

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Indirect Cost Rate**

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

**Local Education Agency Organization Structure**

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

**Schedule of Average Daily Attendance (ADA)**

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

**Schedule of Instructional Time**

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

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

**Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

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

**Schedule of Financial Trends and Analysis**

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

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

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





Independent Auditor's Reports  
June 30, 2023

**Los Gatos-Saratoga Joint Union High  
School District**



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Governing Board  
Los Gatos-Saratoga Joint Union High School District  
Los Gatos, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Los Gatos-Saratoga Joint Union High School District (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 27, 2024.

**Report on Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Menlo Park, California  
February 27, 2024



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

To the Governing Board  
Los Gatos-Saratoga Joint Union High School District  
Los Gatos, California

### **Report on Compliance for the Major Federal Program**

#### ***Opinion on the Major Federal Program***

We have audited Los Gatos-Saratoga Joint Union High School District’s (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended June 30, 2023. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

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

### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

## Report on Internal Control over Compliance

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

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

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

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

The signature is written in a cursive, handwritten style. It reads "Eide Bailly LLP". The letters are fluid and connected, with a prominent initial "E".

Menlo Park, California  
February 27, 2024



## Independent Auditor's Report on State Compliance

Governing Board  
Los Gatos-Saratoga Joint Union High School District  
Los Gatos, California

### Report on Compliance

#### ***Qualified and Unmodified Opinions on State Compliance***

We have audited Los Gatos-Saratoga Joint Union High School District's (the District) compliance with the requirements specified in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the District's state program requirements identified below for the year ended June 30, 2023.

#### ***Qualified Opinion on Home to School Transportation Reimbursement***

In our opinion, except for the noncompliance described in the Basis of Qualified and Unmodified Opinions section of our report, the District complied, in all material respects, with the State compliance requirements referred to above that are applicable to the laws and regulations of the State programs noted in the table below for the year ended June 30, 2023.

#### ***Unmodified Opinion on Each of the Other Programs***

In our opinion, the District complied, in all material respects, with the State compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2023, except as described in accompanying Schedule of Findings and Questioned Costs as item 2023-002.

#### ***Basis for Qualified and Unmodified Opinion***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

*Matters Giving Rise to Qualified Opinion on Instructional Days and Home to School Transportation Reimbursement*

As described in the accompanying schedule of findings and questioned costs, the District did not comply with certain requirements regarding home to school transportation reimbursement (2023-002).

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements referred to above.

***Responsibilities of Management for Compliance***

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

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and



Select and test transactions and records to determine the District’s compliance with the state laws and regulations applicable to the following items:

| 2022-2023 K-12 Audit Guide Procedures                                     | Procedures Performed |
|---|----------------------|
| <b>Local Education Agencies Other Than Charter Schools</b>                |                      |
| Attendance  | Yes                  |
| Teacher Certification and Misassignments                                  | Yes                  |
| Kindergarten Continuance  | No, see below        |
| Independent Study   | No, see below        |
| Continuation Education  | No, see below        |
| Instructional Time  | Yes                  |
| Instructional Materials   | Yes                  |
| Ratios of Administrative Employees to Teachers                            | Yes                  |
| Classroom Teacher Salaries  | Yes                  |
| Early Retirement Incentive  | No, see below        |
| GANN Limit Calculation  | Yes                  |
| School Accountability Report Card   | Yes                  |
| Juvenile Court Schools  | No, see below        |
| Middle or Early College High Schools                                      | Yes                  |
| K-3 Grade Span Adjustment   | No, see below        |
| Transportation Maintenance of Effort                                      | No, see below        |
| Apprenticeship: Related and Supplemental Instruction                      | No, see below        |
| Comprehensive School Safety Plan  | Yes                  |
| District of Choice  | No, see below        |
| Home to School Transportation Reimbursement                               | Yes                  |
| Independent Study Certification for ADA Loss Mitigation                   | Yes                  |
| <b>School Districts, County Offices of Education, and Charter Schools</b> |                      |
| California Clean Energy Jobs Act  | No, see below        |
| After/Before School Education and Safety Program                          | No, see below        |
| 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  | No, see below        |
| Immunizations   | No, see below        |
| Educator Effectiveness  | Yes                  |
| Expanded Learning Opportunities Grant (ELO-G)                             | Yes                  |
| Career Technical Education Incentive Grant                                | No, see below        |
| Transitional Kindergarten   | No, see below        |

## Charter Schools

|   |               |
|---|---------------|
| Attendance  | No, see below |
| Mode of Instruction   | No, see below |
| Nonclassroom-Based Instruction/Independent Study            | No, see below |
| Determination of Funding for Nonclassroom-Based Instruction | No, see below |
| Annual Instructional Minutes - Classroom Based              | No, see below |
| Charter School Facility Grant Program                       | No, see below |

## Kindergarten Continuance

The District does not offer kindergarten instruction; therefore, we did not perform procedures related to Kindergarten Continuance.

## Independent Study

The District does not claim ADA for Independent Study; therefore, we did not perform procedures related to Independent Study.

## Continuation Education

We did not perform Continuation Education procedures because the program is not offered by the District.

## Early Retirement Incentive

The District did not have any employees retire under the CalSTRS Early Retirement Incentive program; therefore, testing was not required.

## Juvenile Court Schools

We did not perform Juvenile Court Schools procedures because the program is not offered by the District.

## K-3 Grade Span Adjustment

The District has only grades 9-12; therefore, we did not perform procedures related to K-3 Grade Span Adjustment.

## Transportation Maintenance of Effort

The District did not have any transportation expenditures in the 2012-13 fiscal year; therefore, we did not perform procedures related to transportation maintenance of effort.

## Apprenticeship: Related and Supplemental Instruction

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.

## District of Choice

The District did not elect to operate as a school district of choice; therefore, we did not perform procedures related to District of Choice.

#### California Clean Energy Jobs Act

We did not perform California Clean Energy Jobs Act procedures because the District notified us that the procedures were not applicable and that "the funds were not fully spent and the amount has been setup as a liability ever since. At the beginning of the 23/24, the state finally re-couped the amount unspent."

#### After/Before School Education and Safety Program

We did not perform procedures for the After/Before School Education and Safety Program because the District did not offer the program.

#### Independent Study - Course Based

The District does not offer an Independent Study - Course Based program; therefore, we did not perform any procedures related to the Independent Study - Course Based Program.

#### Immunization

The District was not listed on the immunization assessment reports; therefore, we did not perform any related procedures.

#### Career Technical Education Incentive Grant

We did not perform Career Technical Education Incentive Grant procedures because the District did not receive funding for this grant.

#### Transitional Kindergarten

The District did not report ADA for transitional kindergarten; therefore, we did not perform procedures related to Transitional Kindergarten.

#### Charter Schools

The Charter School is independent of the District; therefore, we did not perform any procedures related to charter schools.

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

#### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is described in the accompanying Schedule of Findings and Questioned Costs as item 2023-002.

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below we did identify a certain deficiency in internal control that we consider to be a material weakness.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a material weakness.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

The signature is written in a cursive, handwritten style. It reads "Eide Bailly LLP". The letters are dark and the ink appears to be black.

Menlo Park, California  
February 27, 2024



Schedule of Findings and Questioned Costs  
June 30, 2023

# Los Gatos-Saratoga Joint Union High School District

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

**Financial Statements**

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

**Federal Awards**

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

**Identification of Major Programs**

| <u>Name of Federal Program or Cluster</u>                               | <u>Federal Financial Assistance Listing/<br/>Federal CFDA Number</u> |
|---|--|
| Special Education Cluster (IDEA)  | 84.027   |
| Dollar threshold used to distinguish between type A and type B programs | \$750,000  |
| Auditee qualified as low-risk auditee?                                  | No   |

**State Compliance**

|   |  |
|---|--|
| Type of auditor's report issued on compliance                                     |  |
| Unmodified for all programs except for the following programs which are qualified |  |
| Home to School Transportation Reimbursement (2023-002)                            |  |

The following findings are significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

10000 Attendance, 20000 Inventory of Equipment, 30000 Internal Control, 40000 State Compliance, 42000 Charter School Facilities Programs, 43000 Apprenticeship: Related and Supplemental Instruction, 50000 Federal Compliance, 60000 Miscellaneous, 61000 Classroom Teacher Salaries, 62000 Local Control Accountability Plan, 70000 Instructional Materials, 71000 Teacher Misassignments, 72000 School Accountability Report Card.

**Financial Statement Findings**

**2023-001 Material Weakness in Internal Control Over Financial Reporting, Correction of Error**  
Code 30000

**Criteria**

Management is responsible for designing, implementing, and maintaining internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Additionally, management is responsible for the preparation and fair presentation of the financial statements following generally accepted accounting principles (GAAP).

**Condition**

During the 2023 fiscal year, the District identified misstatements within the fiscal year 2022 financial statements that affect the balance of the fiscal year 2023 financial statements related to cash. Furthermore, in conjunction with completing the audit, we were requested to draft the financial statements and related notes to the financial statements. Management reviewed, approved, and accepted responsibility for the financial statements and notes before issuance.

**Context**

The following is a summary of the adjustments that were necessary for the accounting records to be presented per governmental accounting standards:

Adjustment to beginning balances:

|   |                      |
|---|----------------------|
| Governmental Activities                                     |                      |
| Beginning Net Position previously reported at June 30, 2022 | \$ 18,698,502        |
| Adjustment to cash  | (165,004)            |
|   | <u>18,533,498</u>    |
| Net Position - Beginning as Restated                        | <u>\$ 18,533,498</u> |
| Nonmajor Governmental Fund                                  |                      |
| Beginning Fund Balance previously reported at June 30, 2022 | \$ 3,344,775         |
| Adjustment to cash  | (165,004)            |
|   | <u>3,179,771</u>     |
| Fund Balance - Beginning as Restated                        | <u>\$ 3,179,771</u>  |

Los Gatos-Saratoga Joint Union High School District  
Financial Statement Findings  
Year Ended June 30, 2023

Current year audit adjustments:

|  | General<br>Fund      | Building<br>Fund    | Special Reserve<br>Fund for Capital<br>Outlay Projects | Bond<br>Interest and<br>Redemption<br>Fund | Non-Major<br>Governmental<br>Funds |
|--|----------------------|---------------------|--|--|------------------------------------|
| Fund Balance   |                      |                     |  |  |                                    |
| Balance, June 30, 2023, unaudited actuals            | \$ 13,864,675        | \$ 8,123,694        | \$ 11,040,319  | \$ 5,149,457                               | \$ 3,944,354                       |
| Change in fund balance from:                         |                      |                     |  |  |                                    |
| Fair value of investments                            | (393,768)            | (248,402)           | (316,058)  | (148,183)                                  | (68,859)                           |
| Cash collections awaiting deposit                    | -                    | -                   | -  | -  | (165,004)                          |
| Lease receivables                                    | 1,667,177            | -                   | -  | -  | -                                  |
| Deferred inflow of resources from leases             | (1,563,996)          | -                   | -  | -  | -                                  |
| Balance, June 30, 2023, audited financial statements | <u>\$ 13,574,088</u> | <u>\$ 7,875,292</u> | <u>\$ 10,724,261</u>                                   | <u>\$ 5,001,274</u>                        | <u>\$ 3,710,491</u>                |

**Effect**

Audit adjustments were necessary for the financial statements to be presented per GAAP. Furthermore, relying on the external auditors to prepare the financial statements and disclosures is considered a material weakness because action of our Firm cannot be viewed as part of the Districts internal control.

**Cause**

Management personnel responsible for financial accounting and reporting did not consider all applicable accounting standards for governmental entities.

**Identification as a Repeat Finding**

This finding was not reported in the previous year's audit.

**Recommendation**

The correcting audit adjustments were posted to the financial statements, and no additional corrective action is necessary.

**Views of Responsible Officials and Planned Corrective Actions**

The misstatements involved new accounting requirements that were not properly addressed at year end. The adjustments all impacted assets and did not have an impact on the district fund balance. In future years staff will ensure that any new accounting guidelines are followed prior to finalizing the year-end balances.



None reported.

The following finding represents a material instance of noncompliance including questioned costs that is required to be reported by the 2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting. The finding has been coded as follows:

**2023-002 Noncompliance, Material Weakness in Internal Control, Home to School Transportation Reimbursement**  
Code 40000

**Criteria**

The District was to develop and adopt a plan by April 1, 2023, under Education Code section 39800.1(a), describing the transportation services it will offer its pupils and how it will prioritize planned transportation services (Plan).

**Condition**

The District did not adopt a Plan before April 1, 2023.

**Questioned Costs**

The District received \$310,570 under the Home to School Transportation Grant.

**Context**

Management of the District informed us that the Plan was not adopted before the April 1, 2023, statutory deadline because information from the California Department of Education (CDE) was not solidified until after March 2023 for this new program. We verified that grant accounting was consistent with governmental accounting standards.

**Effect**

The District was not eligible to use funds as granted by the state.

**Cause and Recommendation**

We recommend that the District be cognizant of the statutory deadline for future fiscal years.

**Views of Responsible Officials/Corrective Action Plan**

The transportation plan will be board approved according to state guidelines in future years.

**Identification as a Repeat Finding**

This finding was not reported in the previous year's audit.

None reported.