

Los Altos School District

# Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2018

201 Covington Road  
Los Altos, California 94024



# Los Altos School District

## Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2018

**Mr. Jeffrey C. Baier**  
Superintendent

**Mr. Randall A. Kenyon**  
Assistant Superintendent, Business Services

**Los Altos School District**  
201 Covington Road  
Los Altos, California 94024  
650-947-1150  
[www.losaltos.k12.ca.us](http://www.losaltos.k12.ca.us)

Los Altos School District  
A K–8 School District  
Santa Clara County, California

Los Altos School District  
Los Altos, California



Los Altos School District, a small suburban K–8 school district, is located in the San Francisco Bay Area in Santa Clara County. We are in the northwest section of the county, with neighboring cities Palo Alto, Mountain View, and Cupertino.

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# Introductory Section

**Los Altos School District**

201 Covington Road  
 Los Altos, California 94024  
 Tel: (650) 947-1150 FAX: (650) 947-0118



December 14, 2018

To Honorable Board of Trustees and Citizens of the Los Altos School District:

*We hereby submit the Comprehensive Annual Financial Report of the Los Altos School District for the fiscal year ended June 30, 2018 (FY 2018).* Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with district management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the district. All disclosures necessary to enable the reader to gain an understanding of the district's financial activities have been included.

This report is prepared in conformance with generally accepted accounting principles (GAAP) for governments as promulgated by the Government Accounting Standards Board (GASB). This report is consistent with legal reporting requirements of the State of California. The report also includes a "State and Federal Compliance Information" section which is designed to meet the reporting requirements of the Office of the California State Controller, the U. S. Government Accountability Office, the U. S. Office of Management and Budget, and the Single Audit Act Amendments of 1996.

The district's financial statements have been audited by Chavan & Associates, LLP, a certified public accounting firm. They have issued an unmodified ("clean") opinion on the district's financial statements for the fiscal year ended June 30, 2018. The independent auditor's report is located at the front of the financial section of this report.

The report also includes a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). It provides an objective and easily readable analysis of the district's financial activities on both a short and long term basis. This transmittal letter is designed to complement the MD&A and should be read in conjunction with it. The district's MD&A can be found immediately following the report of the independent auditor.

## Profile of the District

Los Altos School District, one of thirty-two districts in Santa Clara County in California, is an elementary school district serving students from kindergarten to grade eight. We are located in the heart of Silicon Valley in the San Francisco Bay Area. The district boundaries include most of the City of Los Altos, half of the Town of Los Altos Hills, parts of the cities of Mountain View and Palo Alto, and some unincorporated county lands. Los Altos School District was founded in 1909. The district's mission statement is as follows—"the Los Altos School District inspires a passion for learning and prepares all K–8 students to thrive in our rapidly changing global community."

The district serves a general population estimated at 45,040 in an area of approximately 21 square miles. In FY 2018 the district employed 454 full-time equivalent workers. Of that total, 287 were certificated employees and 167 were classified employees. Certificated employees (teachers, psychologists and counselors, nurses, principals, and other administrators) require a credential as a condition of employment. Classified employees are those for whom having a credential is not a condition of employment. Classified employees include among others instructional aides, school secretaries and other clerical staff, custodians, and maintenance workers.

An elected five-member board of trustees governs the district. The board's duties and powers include establishing a long-term vision for the district; ensuring accountability to the local community; acquiring, maintaining, and disposing of property; developing a sound organizational structure and school program; adopting an annual budget; and, establishing a system of accounting and budgetary controls. Trustees are elected for four-year terms. The superintendent, Jeff Baier, runs the day-to-day operations of the district. The district is a public agency governed by the laws of the State of California. Los Altos School District is fiscally dependent on the Santa Clara County Office of Education. The district has no component units nor is it a component of any other entity.

The district currently has 4,240 students enrolled in nine schools—seven elementary (K–6) and two intermediate (7–8). Most of our students live in neighborhoods of relatively high socio-economic status. Many of the executive officers of our country's most prominent technology firms live within our district. The average home price in the city of Los Altos in 2017 was just under \$3.5 million.

## Economic Condition and Outlook

We continue to enjoy the support of the local community and a generally strong recovery from the recent recession. Our primary source of funding, property tax collections, has continued growing significantly over the last few years. We need to be wary though of a downturn in the economy, which most economists predict is not likely until 2020 or later.

The local housing market bears strongly on property tax collections. During the recession homes stayed on the market longer and housing prices declined, although only slightly. The average sales price nine years ago was a little over \$2 million and the average six years ago had dropped to just under \$1.8 million—while the current average has returned well above the \$3 million level. Along with increased market activity, we have witnessed AV (assessed value) growth and subsequent tax collection increases in the 6–9% range over the last five years.

California law stipulates that the assessed valuation (AV) of secured property can rise from one year to the next no more than the year-over-year increase in state CPI or 2%, whichever is less. Offsetting this factor is change in AV due to new homes being built or housing turnover wherein the new AV represents the sales price of the home. Since one-fifth of all homes in our community have assessed valuations of \$200,000 or less and with the recent average sales price of around \$3.5 million, there is potential for significant AV increases—depending on the amount of turnover.

We continue to receive solid support from the local community through significant educational foundation and PTA funding as well as two parcel taxes that generate 17% of our total General Fund revenue.

## Achievement

The district prides itself on providing an outstanding education to our students. Until recently there was statistical evidence showing how well district students have performed on standardized tests. That evidence included the following:

- The most recent (2013) state Academic Performance Index (API) ranked all district schools among the highest in the state. Overall our students recorded the third highest test results in the state. We ranked in the top five in the state every year since the testing program began in 2000.
- Students in the district consistently scored within the top 2% of all children tested in California. California Assessment Program (CAP) scores in 1992 showed Los Altos students scoring at the 98th or 99th percentile in all grades and in all subject areas. 1997 California Achievement Test (CAT-5) scores, which were nationally normed, showed the average Los Altos student scoring higher than 88% of all students tested nationally. Over a fourteen year period (1998–2013) California’s Standardized Testing and Reporting (STAR) test results, which also were nationally normed, showed the average Los Altos student scoring in the 80th – 90th percentile.
- All district schools are California Distinguished Schools and five of our nine schools (Blach, Egan, Gardner Bullis, Oak, and Santa Rita) have been chosen as national Blue Ribbon Schools.

The state’s testing program has undergone a major overhaul as California implements the national Common Core standards. With three years of testing under the new California Assessment of Student Performance and Progress (CAASPP) for English/Language Arts and Mathematics, our students continue to demonstrate outstanding results. 85–90% of our students meet or exceed the statewide standards in these academic areas, significantly higher than the state averages of under 50%.

## Long Term Planning/Major Initiatives

### Academic Excellence

The district continues to improve and refine its academic offerings, focusing on identified curriculum areas and instructional strategies each year. Recruiting and retaining fully qualified and well trained teachers and administrators are high priorities.

### District Enrollment

Until recently the district was experiencing steady enrollment growth over a ten year period, averaging 1.4% per year. In the last three years enrollment actually has decreased, by 8.5% (393 students) from three years earlier. However, with several high density housing projects in the pipeline we expect growth in enrollment in the not too distant future. Our demographic forecast shows enrollment relatively continuing to decline for a couple more years and remaining flat thereafter.

### District Funding Status

For the typical school district in California, property taxes provide less than 40% of the total formula-driven general operating revenue guarantee (under the new Local Control Funding Formula scheme). The state contributes the remainder, over 60%, in state aid. In our district the picture is very different. Because of high assessed values, property tax collections are more significant and in fact have exceeded our funding guarantee—thus pushing us into what is called “basic aid” status.

A basic aid district is one in which the local property taxes collected for schools exceed the calculated revenue guarantee. Because basic aid districts get to keep property tax revenues in excess of the revenue limit, there can be a significant financial advantage to being “basic aid.” As a basic aid district we are reliant on local property tax collections rather than dependent on state funding.

## Reserves Policy

The district has a reserves policy reflecting the need of a basic aid district to have a higher level of reserves. The policy targets a general operating reserve of 3–5% and a second reserve layer as a basic aid district of a minimum of 5%. The state-required minimum reserves level for a district our size is 3%. District reserves at the end of FY 2018 were 7% of total outgo, a slight increase over the prior year.

## Charter School

Bullis Charter School, a county-sponsored charter school, is located within the district and serves students in grades kindergarten through eighth grade. The majority of students attending the charter school are district residents while a small percentage of students (8%) come from outside the district. Based on state law the district is required to provide facilities for the in-district charter students and provide a share of its property tax revenues to the charter school as general purpose funding for all its students (in-district and out-of-district). In FY2018 the district apportioned \$6.2 million to the charter school and provided facilities on two district campuses—at Egan and Blach junior highs—for the 812 in-district charter students.

## School Buildings

All district schools were originally built between 1949 and 1961, with Loyola School being the oldest and Gardner Bullis School being built in 1961. All campuses were renovated in the early 2000's as part of the 1998 Bond Measure Program. In addition to the original buildings, on each campus we have added relocatable classrooms and other facilities to accommodate enrollment growth over the last thirty years. We currently have 128 relocatable buildings throughout the district, all on short term leases. It is expected we will convert most, if not all, relocatable buildings into permanent ones as part of our 2014 Bond Measure Program.

## Major Initiatives

In California school districts are limited in their ability to tax the local citizenry to raise monies for schools. State law limits ad valorem taxes to 1% of assessed valuation (AV). AV is defined as 100% of the value of real property at the time of sale. The state limits annual increases in AV to no more than 2%. The only time property is reassessed is at the time of sale with the new assessment reflecting the sale price of the property. Ad valorem property tax revenues provide the base general purpose funding for our schools. The only additional taxing authority school districts have is for general obligation bonds and parcel taxes both of which require special elections and passage by a 2/3 majority vote. Proposition 39, enacted in 2000, permits passage of a local general obligation bond by a 55% majority under special circumstances.

In recent years the district has undertaken two major initiatives to deal with long term planning issues—a second parcel tax and a general obligation bond measure.

**Parcel Tax.** The district initially put a parcel tax measure before the voters in 1989. The measure, which imposed a flat per parcel assessment of \$168, was approved and enabled the district to restore cut programs and to forestall future reductions. That tax has since been increased twice through voter elections. The most recent increase, which brought the tax up to \$597 from \$264, was approved in November 2002 by over 70% of the votes cast. This increase took effect in FY 2004 and generates an additional \$4 million in general purpose revenues for a total of \$7.5 million. The intent of the increase was to enable the district to continue its then current programs for several years, in spite of any state funding cutbacks. This tax has an indefinite lifespan.

As a result of continued funding cutbacks and a sluggish economy, the district sought voter approval of another parcel tax in May 2011. This second parcel tax, in the amount of \$193 per parcel, was approved by over 2/3 of voters and lasts six years. This parcel tax was renewed by voter approval in the November 2016 election and will continue for an additional eight years (through June 2025). The additional funds enable the district to maintain consistency of program.

**General Obligation Bonds.** In the fall of 1998, a bond measure was placed before the voters of the district. The measure proposed issuing general obligation bonds in the amount of \$94.7 million to provide funding to renovate and modernize existing buildings throughout the district and to build new classrooms and other buildings to replace ninety portable buildings leased by the district. The measure was approved, with a 75% affirmative vote.

The district issued its first series of bonds under the 1998 measure (Series A) for \$40 million in February 1999. The district issued a second series (Series B) in May 2001 worth \$46.7 million and a third and final series of bonds in October 2003 in the amount of \$8 million. The district refinanced almost all of its outstanding bonds (\$89.3 million) in June 2006. This refunding resulted in a net gain of \$10.9 million which was used to modernize the Bullis-Purissima School (now called Gardner Bullis School). The impact on taxpayers of each of these bond issuances is expected to average \$55 per \$100,000 of assessed valuation (AV), not to exceed \$60 per \$100,000 AV. Prior to these issuances, the district had no outstanding debt. The district maintains excellent credit ratings, receiving an Aa2 rating from Moody's Investors Service and an AA rating from Standard & Poor's.

Another bond measure was placed before voters in November 2014. Voters approved this \$150 million authorization with the measure securing 57.4% “yes” votes (of the 55% needed for passage). The school board has commissioned a facilities master plan committee to make recommendations regarding how best to use bond proceeds. Per the ballot language, the proceeds are intended to be used to address facility needs due to enrollment growth and to make improvements to existing facilities. The district is in the process of searching for an appropriate site to house a new school.

The bonds represent a general obligation of the district. The Board of Supervisors of the County of Santa Clara is empowered and obligated to levy ad valorem taxes without limitation as to rate or amount, for the payment of the interest on and principal of the bonds, upon all property subject to taxation by the district (except certain personal property which is taxable at limited rates). Such taxes, when collected, will be placed by the County in the district's Bond Interest and Redemption Fund, which is required to be maintained by the County and used solely for the repayment of the bonds and interest thereon when due.

## Financial Information

### Internal and Budgetary Controls

The district maintains internal accounting controls designed to provide reasonable assurance that assets are safeguarded against loss from unauthorized use and disposition and to provide reliable records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes the importance of a close evaluation of costs and benefits which requires estimates and judgments by management. The objective is to secure efficient internal control, the cost of which must not exceed the benefits derived therefrom. We believe that the district's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

School districts in California are required by Education Code Section 41010 to follow the California School Accounting Manual in preparing reports to the State. The district, under Assembly Bill 1200 (Chapter 1213, Statutes of 1991), utilizes a single-adoption budget schedule. The district adopts a Final Budget prior to the state-mandated July 1 deadline.

Expenditures cannot legally exceed appropriations by major object classification, namely certificated salaries, classified salaries, employee benefits, books and supplies, services and other operating expenditures, capital outlay, debt service, other outgo, direct support/indirect costs, and operating transfers out. Education Code 42600 specifies that school districts may not spend more than the amounts authorized in the Final Budget as adjusted during the school year. The school board reviews and approves (or disapproves) all purchase orders and other expenditures on a regular basis, but no less frequently than once every month.

Encumbrance accounting is utilized to assure effective budgetary control and accountability. Unencumbered appropriations lapse at year-end and encumbrances outstanding also lapse at that time.

Per Board Policy 3100 "the district's current-year budget and multi-year projections shall include adequate provisions for addressing the district's long-term financial obligations, including, but not limited to, long-term obligations resulting from collective bargaining agreements, financing of facilities projects, unfunded or future liability for retiree benefits, and accrued workers' compensation claims."

### Fiscal Policies

One of the district's core values is small, neighborhood schools. The district has developed target school sizes and attempts to limit the enrollment at any one school from exceeding 600 students. The target sizes are—small school (280–330 students), medium school (400–440 students), and large school (530–580 students). Only one school (Egan Intermediate) in FY2018 had an enrollment exceeding 600 students, one school (Gardner Bullis) had an enrollment within the small school target range, and the remaining schools fell into the large school category or between the medium and large categories.

At the same time the district also values small class sizes. The district staffed its K–3 classes at a 22:1 student-to-teacher ratio, its grade 4–6 classes at a 25:1 ratio, and its junior high (grades 7–8) at a 24:1 ratio. With no school assistant principals and a lean district office management staff the district prides itself on committing resources to where it matters most—to the classroom. The district employs half the number of administrators permitted under state guidelines.

**Decentralized Budgeting.** The district practices decentralized budgeting in order to "create greater responsiveness to student needs, to improve instruction, to bring decisions on programs closer to those who are directly responsible and concerned with the education of students, to increase staff participation in budget decisions, to make the most efficient and effective use of available funds, and to develop greater responsiveness to community and neighborhood needs" (excerpt from District's Budget Development Guidelines). Linked to decentralized budgeting the district permits unspent program manager funds to be carried forward into the following year.

## Independent Audit

Education Code Section 41020 provides that each school district shall arrange for an audit by certified public accountants of its books and accounts, including the district's income by source of funds and expenditures by object and program. The district's contract auditor for the fiscal year ended June 30, 2018 is Chavan & Associates, LLP.

## Awards

### ASBO

The Association of School Business Officials (ASBO) International awarded its Certificate of Excellence in Financial Reporting to Los Altos School District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017. This was the thirteenth

consecutive year that the district has received this prestigious award. Receiving this award is recognition that the district has met the highest standards of excellence in financial reporting as adopted by ASBO. The award is granted after intensive review by an expert panel of certified public accountants and practicing school business officials. The district believes that this year's Comprehensive Annual Financial Report, which will be submitted to ASBO for review, will also conform to these high standards. The district has also received the ASBO Meritorious Budget Award every year for the last seventeen years.

### GFOA

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Los Altos School District for its comprehensive annual financial report for the fiscal year ended June 30, 2017. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirement and we are submitting it to the GFOA to determine its eligibility for another certificate.

Copies of both the ASBO and GFOA award certificates are shown on the following pages.

### Acknowledgements

We wish to express our appreciation to Kim Ginelli (Fiscal Services Specialist), the staff of the District Business Office, and Sheldon Chavan (managing partner) and the staff at Chavan & Associates, LLP for their work in preparing this report.

Respectfully submitted,



Jeffrey C. Baier  
Superintendent



Randall A. Kenyon, Jr.  
Assistant Superintendent, Business Services

# Awards

*ASBO Certificate of Excellence in Financial Reporting*

*For the Fiscal Year Ended June 30, 2017*



*GFOA Certificate of Achievement for Excellence in Financial Reporting*

*For the Fiscal Year Ended June 30, 2017*



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Los Altos School District  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morrill*

Executive Director/CEO

# District Organization

Los Altos School District was founded in 1909. Board members and central and site administrators are listed below.

## Board of Trustees

Mrs. Jessica Speiser  
*President*  
*Term expires 2020*

Mr. Steven Taglio  
*Member*  
*Term expires 2020*

Mr. Bryan Johnson  
*Vice-President*  
*Term expires 2022*

Mr. Vladimir Ivanovic  
*Member*  
*Term expires 2022*

Mrs. Vaishali Sirkay  
*Clerk*  
*Term expires 2022*

## District Administration

Mr. Jeffrey Baier  
*Superintendent*

Mr. Randall Kenyon  
*Assistant Superintendent, Business Services*

Mrs. Sandra McGonagle  
*Assistant Superintendent, Curriculum & Instruction*

Mrs. Jennifer Keicher  
*Director of Special Education*

Ms. Erin Green  
*Director of Student & Staff Services*

## Schools and School Principals

### Elementary (K–6)

Almond School  
Mrs. Raquel Matteroli

Oak School  
Mrs. Kimberly Attell

Covington School  
Mr. Wade Spenader

Santa Rita School  
Mr. Gregory Land

Gardner Bullis School  
Ms. Nadia Oskolkoff

Springer School  
Mrs. Robin Robinson

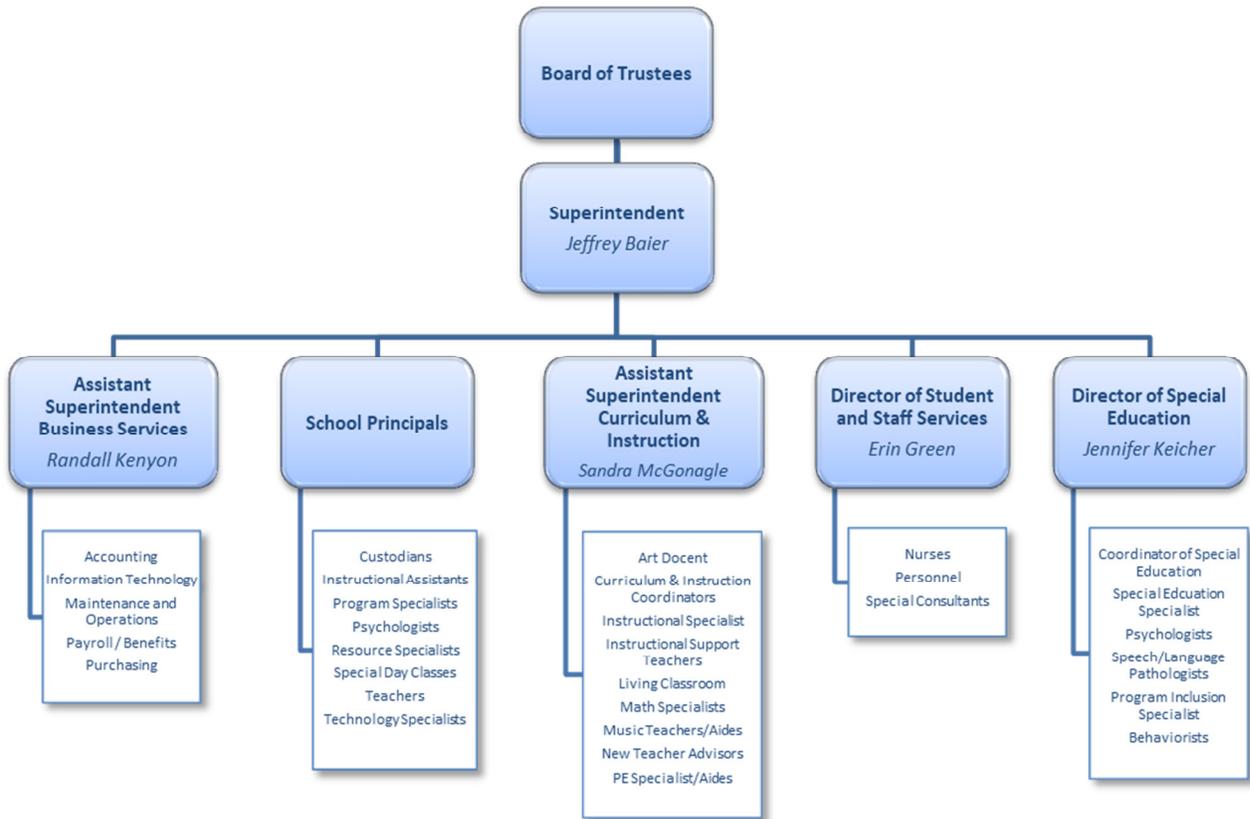
Loyola School  
Mr. Richard Julian

### Intermediate (7–8)

Blach School  
Mrs. Bhavna Narula

Egan School  
Mr. Keith Rocha

Los Altos School District Organizational Chart: 2017–18



# Financial Section

# Independent Auditor's Report



**Chavan & Associates, LLP**  
Certified Public Accountants

The Honorable Board of Trustees  
Los Altos School District  
Los Altos, California

## Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Los Altos School District (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of a Matter

### *Deficit Net Position*

As of June 30, 2018, the District's net position in its Government-wide financial statements was at a deficit mostly because of the long-term pension and OPEB liabilities and deferrals, as reported in Note 11 and Note 12, respectively. Our opinion is not modified with respect to this matter.

## Other Matters

### *Change in Accounting Principle*

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

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of CalPERS pension contributions, schedule of CalPERS proportionate share of net pension liability, schedule of STRS pension contributions, schedule of STRS proportionate share of net pension liability, and schedule

of changes in total OPEB liability, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

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

The introductory section, budgetary comparison information, combining and individual nonmajor fund financial statements, fiduciary funds statement, statistical section, schedule of average daily attendance, schedule of instructional time offered, schedule of financial trends and analysis, the schedule of expenditures of federal awards, and the reconciliation of the Annual Financial Budget report to the audited financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Except for the schedule of financial trends and analysis, and the information contained in the introductory and statistical sections, such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, budgetary comparison information, combining and individual nonmajor fund financial statements, fiduciary funds statement, schedule of average daily attendance, schedule of instructional time offered, and the schedule of expenditures of federal awards, and the reconciliation of the Annual Financial Budget report to the audited financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, the statistical section, and the schedule of financial trends and analysis have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

C & A LLP

November 20, 2018  
San Jose, California

# Management's Discussion & Analysis

The discussion and analysis of Los Altos School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018 ("FY 2018"). The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements along with the notes to these statements to enhance their understanding of the District's financial performance.

## Financial Highlights

Key financial highlights for FY 2018 are as follows:

- At year-end the District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by \$23.1 million (net position), a decrease of \$16.8 million in total net position.
- General revenues (property taxes and unrestricted revenue) accounted for \$71.7 million or 91% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$7.3 million or 9% of total revenues of approximately \$79.0 million. Total revenues were approximately \$1.5 million less than expenses, contributing to the change in net position from the prior year.
- The District's \$80.4 million in expenses were offset by \$7.3 million of program specific charges for services, grants, or contributions. The balance, \$73.1 million, was offset by general revenues.
- The District has four major funds—the General Fund, the Building Fund, the Capital Facilities Fund, and the Bond Interest and Redemption Fund.
  - At the end of FY 2018, the fund balance of the General Fund, including the Special Reserve Funds as required by GASB 54, was \$5.3 million. Of this total, \$2.0 million was unassigned. General reserves were 6.3% of General Fund outgo. The General Fund had \$63.5 million in revenues and transfers in, and \$65.8 million in expenditures and transfers out, a decrease in fund balance of \$2.3 million from the prior year.
  - Building Fund revenues and expenditures can vary significantly from one year to the next. The ending fund balance in FY 2018 of \$3.8 million is \$2.3 million greater than in the prior year. We continue to elect to treat the Building Fund as a major fund since fund balances have been higher in the past and we expect higher levels in the near future.
  - The FY 2018 ending balance of the Capital Facilities Fund was \$1.2 million an increase of \$1.2 million from the prior year.
  - Because of an increase in property tax collections the fund balance of the Bond Interest and Redemption Fund grew from \$10.0 million to \$10.7 million.

## Using the Annual Report

This annual financial report contains, in addition to this Management Discussion and Analysis, the District's basic financial statements and supplementary information. These three sections together provide a comprehensive overview of the District's finances. The basic financial statements are comprised of two kinds of statements that present financial information from different perspectives, government-wide and funds.

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.
- Individual parts of the District, which are reported as fund financial statements, focus on reporting the District's operation in more detail. These fund financial statements comprise the remaining statements.

Notes to the financials, which follow the basic financial statements, provide more detailed data and explain some of the information in the statements. The supplementary information sections provide further explanations and additional support for the financial statements, including a comparison of the District's budget to actual revenues and expenditures for the year.

Additional elements of this report include sections on State and Federal Award Compliance, Other Independent Auditor's Reports, and Findings and Recommendations as well as a Statistical Section.

## Overview of the Financial Statements

### Government-wide Financial Statements—Statement of Net Position and the Statement of Activities

While this document contains specific information on the many funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, “How did we do financially during the previous year?” The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. The accrual basis of accounting recognizes all of the current year revenues and expenses regardless of when cash is received or paid.

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

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

The government-wide financial statements can be found on pages 12–13 of this report.

### Fund Financial Statements

The analysis of the District’s major funds begins on page 14. Fund financial reports provide detailed information about the District’s major funds. The District uses several funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District’s most significant funds and not the District as a whole. The District’s major governmental funds are the General Fund, the Building Fund, the Capital Facilities Fund, and the Bond Interest and Redemption Fund.

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

**Fiduciary Funds.** The District is the trustee, or fiduciary, for student body funds. All of the District’s fiduciary activities are reported in a separate Statement of Fiduciary Net Position on page 18. We exclude these activities from the District’s other financial statements because the District cannot use these assets to finance its operations.

### Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found starting on page 19 of this report.

## Government-wide Financial Analysis

As stated earlier the Statement of Net Position and the Statement of Activities provide a financial glimpse of the District as a whole. “Table 1: Summary of Net Position” provides a summary of the District’s net position for FY 2018 as contained in the Statement of Net Position and compares that information to FY 2017.

As the table shows, our total net position as of June 30, 2018 was a deficit of \$23.1 million, a decrease from the prior year of \$16.8 million. A large portion of the deficit reflects the District’s share of net pension liabilities required for reporting in accordance with GASB 68 which went into effect during 2015. The impact of adjustments to GASB 68 resulted in net pension liabilities recorded during FY 2018 in the amount of \$60.2 million. Additionally, the total OPEB obligation increased by \$15.3 million due to a change in accounting principles required by GASB 75 that went into effect in FY 2018.

The District’s net investment in capital assets was \$21.3 million. The District uses capital assets to provide services; consequently, these assets are usually not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves usually are not used to liquidate the debt.

Approximately \$15.6 million of the District’s net position represents resources subject to external restrictions on how they may be used. These assets are either restricted for future spending or set aside to pay debt service on general obligation bonds. \$848,850 is required

to be spent on specific federal and state programs—funds carried over into the next fiscal year. \$4.9 million by state law, can only be spent on capital projects. \$9.8 million is set aside for debt service payments in the subsequent fiscal year.

**Table 1: Summary of Net Position**

	June 30, 2017	June 30, 2018	Change	Percentage Change
<b>Assets</b>				
Current and Other Assets	\$ 20,849,997	\$ 23,419,942	\$ 2,569,945	12%
Capital Assets	89,797,036	87,247,384	(2,549,652)	-3%
<b>Total Assets</b>	<b>\$ 110,647,033</b>	<b>\$ 110,667,326</b>	<b>\$ 20,293</b>	<b>0%</b>
<b>Deferred Outflows of Resources</b>				
	\$ 21,525,621	\$ 21,032,236	\$ (493,385)	-2%
<b>Liabilities</b>				
Other Liabilities	\$ 2,693,721	\$ 3,231,166	\$ 537,445	20%
Long-Term Liabilities	129,596,379	147,287,986	17,691,607	14%
<b>Total Liabilities</b>	<b>\$ 132,290,100</b>	<b>\$ 150,519,152</b>	<b>\$ 18,229,052</b>	<b>14%</b>
<b>Deferred Inflows of Resources</b>				
	\$ 6,152,125	\$ 4,291,916	\$ (1,860,209)	-30%
<b>Net Position</b>				
Net Investment in Capital Assets	\$ 17,219,436	\$ 21,302,335	\$ 4,082,899	24%
Restricted	10,708,359	15,597,003	4,888,644	46%
Unrestricted	(34,197,366)	(60,010,844)	(25,813,478)	75%
<b>Total Net Position</b>	<b>\$ (6,269,571)</b>	<b>\$ (23,111,506)</b>	<b>\$ (16,841,935)</b>	<b>269%</b>

In comparing FY 2018 to the prior year we note the following:

- Current and other assets increased by \$2.6 million, which is partly due to the issuance of \$2.5 million in bond anticipation notes in FY 2018.
- A decrease in capital assets is the result of depreciation expense.
- Long-term liabilities increased by \$17.7 million, primarily due to the application of GASB 68 and GASB 75, which requires the District to recognize net pension liabilities and OPEB obligations in the government-wide statement of net position. The net pension liabilities recorded in FY 2018 were \$60.2 million and OPEB liabilities were \$18.6 million. For more information on pension and OPEB liabilities, see Note 11 and Note 12, respectively, in the “Notes to the Basic Financial Statements” section.
- Other liabilities in FY 2018 increased primarily due to timing differences in accounts payable balances as compared with FY 2017.
- Of our total net position, net investment in capital assets increased by \$4.1 million because of a decrease in related debt from repayment of bond principal.
- Our unrestricted net position decreased by \$25.8 million mainly due to the application of GASB 68 and GASB 75.

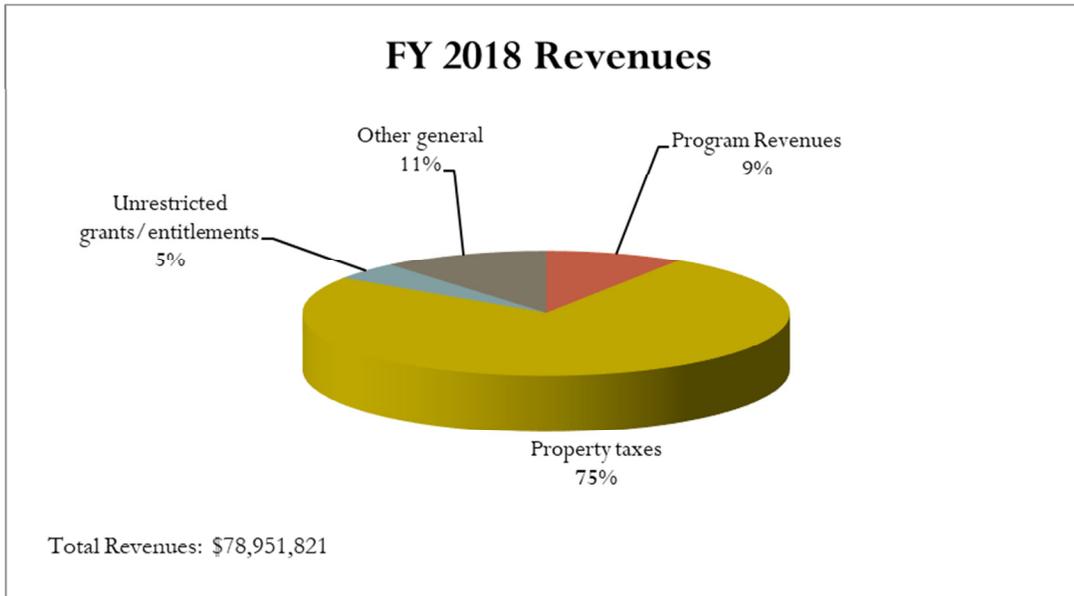
“Table 2: Change in Net Position” reflects data extracted from the Statement of Activities and shows the changes in net position from FY 2017 to FY 2018.

<b>Table 2: Change in Net Position</b>				
	June 30, 2017	June 30, 2018	<i>Change</i>	<i>Percentage Change</i>
<b>Revenues</b>				
Program Revenues:				
Operating Grants and Contributions	\$ 6,002,866	\$ 7,278,355	\$ 1,275,489	21%
General Revenues:				
Property Taxes	57,212,216	59,324,124	2,111,908	4%
Grants and Entitlements - Unrestricted	3,410,102	3,595,525	185,423	5%
Other	6,247,512	8,753,817	2,506,305	40%
<i>Total Revenues</i>	72,872,696	78,951,821	6,079,125	8%
<b>Program Expenses</b>				
Instruction	42,163,508	52,535,485	10,371,977	25%
Support Services:				
Instruction-related services	6,735,656	6,987,627	251,971	4%
Pupil services	4,057,366	4,490,916	433,550	11%
General administration	4,101,976	4,343,617	241,641	6%
Plant services	8,634,495	8,594,969	(39,526)	0%
Other educational programs	14,248	7,067	(7,181)	-50%
Interest and Fiscal Charges	5,007,437	3,458,455	(1,548,982)	-31%
<i>Total Expenses</i>	70,714,686	80,418,136	9,703,450	14%
<b>Change in Net Position</b>	2,158,010	(1,466,315)	(3,624,325)	-168%
<i>Beginning Net Position</i>	(8,427,581)	(6,269,571)	2,158,010	-26%
<i>Prior Period Adjustment</i>	-	(15,375,620)	(15,375,620)	0%
<i>Beginning Net Position as Adjusted</i>	(8,427,581)	(21,645,191)	(13,217,610)	157%
<i>Ending Net Position</i>	\$ (6,269,571)	\$ (23,111,506)	\$ (16,841,935)	269%

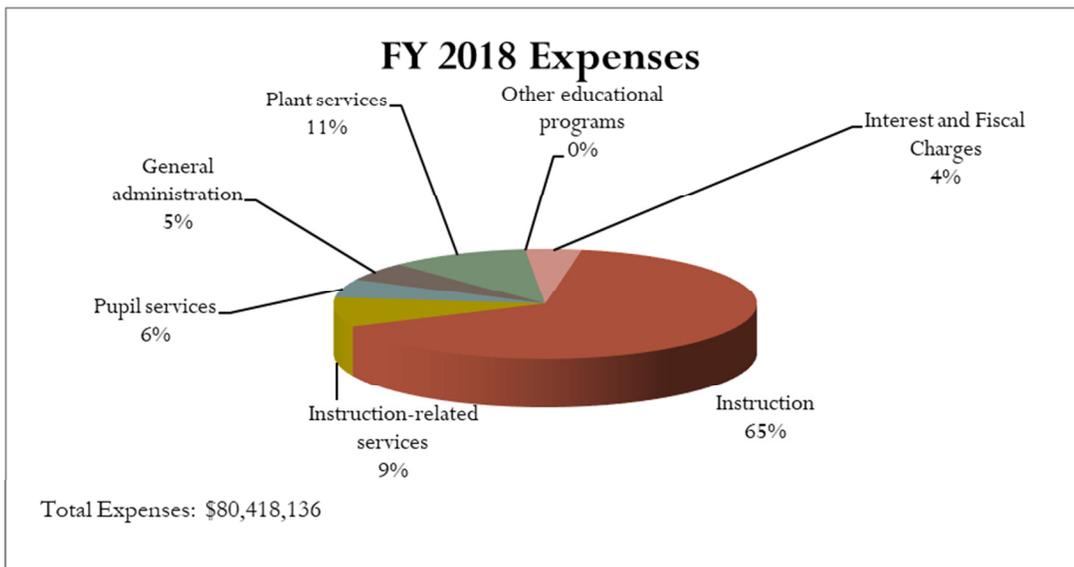
The most significant changes resulted from the following:

- Property tax collections were higher due to an increase in property assessed valuations.
- Other general revenues increased primarily as a result of PTA donations.
- Expenditures on instruction and instruction related services increased in FY 2018 due to negotiated salary increases, additional staffing, and increased professional development opportunities for teachers.
- Interest and fiscal charges decreased as a result of advance refunding of outstanding bonds in FY 2017.

District programs for FY 2018 cost \$80.4 million. To support those programs the District garnered \$7.3 million in program revenues. The balance of support came from property taxes and other general revenues. Since property tax collections amounted to \$59.3 million, the District's dependence upon tax revenues is apparent. The chart below shows FY 2018 revenues by category.



Instruction comprises 65% of District expenses. Support service expenses make up 30% of the total, with the balance being interest and fiscal charges. The accompanying chart displays FY 2018 expenses by category.



### Governmental Activities

The Statement of Activities on page 13 shows the cost of program services and the charges for services and grants offsetting those services. “Table 3: Net Cost of Services” extracts information from the Statement of Activities and compares the net cost of services from one year to the next. It identifies the cost of those services supported by tax revenue and unrestricted state entitlements. The net cost of services increased by \$8.4 million due to an overall increase in spending as noted previously.

	Net Cost of Services for the Fiscal Year Ended June 30, 2017	Net Cost of Services for the Fiscal Year Ended June 30, 2018	Change	Percentage Change
Instruction	\$ 36,788,150	\$ 46,712,419	\$ 9,924,269	27%
Support Services:				
Instruction-related services	6,361,791	6,639,651	277,860	4%
Pupil services	3,837,289	4,232,249	394,960	10%
General administration	4,068,613	4,296,904	228,291	6%
Plant services	8,634,292	7,793,036	(841,256)	-10%
Other educational programs	14,248	7,067	(7,181)	-50%
Interest and Fiscal Charges	5,007,437	3,458,455	(1,548,982)	-31%
<b>Total Expenses</b>	<b>\$ 64,711,820</b>	<b>\$ 73,139,781</b>	<b>\$ 8,427,961</b>	<b>13%</b>

The expense categories shown in Table 3 are summarized below.

- “Instruction” expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.
- “Instruction-related services” and “pupil services” include the activities involved with assisting staff with the content and process of teaching to pupils, as well as direct non-instructional services to students (including health, library, transportation, and other services).
- “General administration” costs include expenses associated with the administrative and financial supervision of the District.
- “Plant services” involve keeping the school grounds, buildings, and equipment in good working condition.
- “Other educational programs” reflects the cost of in-district students attending charter schools outside the District.
- “Interest and fiscal charges” involve the transactions associated with the payment of interest and other charges related to debt of the District.

### Financial Analysis of the District’s Funds

The District’s governmental funds report a combined fund balance of \$21.1 million, an increase of \$1.9 million from the prior year. “Table 4: Governmental Fund Balances” provides an analysis of the District’s fund balances and the total change in fund balances from the prior year.

Fund	Fund Balance June 30, 2017	Fund Balance June 30, 2018	Increase (Decrease)	Percentage Change
General	\$ 7,626,247	\$ 5,275,622	\$ (2,350,625)	-31%
Building	1,471,953	3,781,533	2,309,580	157%
Bond Interest & Redemption	10,040,867	10,698,060	657,193	7%
Deferred Maintenance	63,169	165,001	101,832	161%
Capital Facilities	2,349	1,160,018	1,157,669	49283%
<b>Total</b>	<b>\$ 19,204,585</b>	<b>\$ 21,080,234</b>	<b>\$ 1,875,649</b>	<b>10%</b>

The following information helps explain the changes from the prior year.

- General Fund reserves decreased primarily as a result of negotiated salary increases and additional spending on special education services and facilities repair.

- The increase in fund balance for the Building Fund resulted from an excess of bond proceeds after paying for summer projects.
- The Bond Interest and Redemption Fund is used to repay bonded indebtedness. The fund balance will fluctuate depending on the debt repayment schedule.
- The Deferred Maintenance fund balance increased primarily due to decreased spending than in the prior year.
- The increase in the Capital Facilities Fund is the result of increased developer fees as a result of a large housing project.

### General Fund Budgetary Highlights

The District’s budget is prepared according to California law and is based on the modified accrual basis of accounting.

During the course of the 2018 fiscal year the District amended its General Fund budget numerous times, resulting in changes to revenue and expenditure estimates. Expenditure appropriation adjustments were made to reflect actual staffing, salary changes for professional growth credit earned by teachers, changes in the cost of contracted services, and the spending of one-time grants carried forward from the prior year.

While General Fund expenditures exceeded budget by \$1,686,308, the fund balance was more than adequate to cover the excess expenditures. The overages reflect additional expenditures resulting from unbudgeted PTA revenues obtained directly by the schools and unanticipated repair costs at year-end. Expenditures within the Capital Facilities Fund exceeded budget by \$101,969 resulting from higher than anticipated costs of installing new portable classrooms.

The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. In early June the District made its final appropriations adjustments to match expected revenue and expenditure totals as closely as possible.

### Capital Assets and Long-term Liabilities

#### Capital Assets

At the end of the fiscal year, the District had \$87.2 million invested in land, buildings, and equipment (including computer equipment, furniture, and vehicles). “Table 5: Capital Assets” shows FY 2018 balances as compared to the prior year.

Capital outlay during the fiscal year included only the purchase of computer-ware. For more information see the Notes to the Basic Financial Statements (Note 5; page 29).

	June 30, 2017	June 30, 2018	Increase (Decrease)	Percentage Change
Land	\$ 1,488,885	\$ 1,488,885	\$ -	0%
Site improvements	1,225,056	1,225,056	-	0%
Buildings and improvements	127,311,189	127,311,189	-	0%
Equipment	2,570,571	2,575,967	5,396	0%
<i>Total</i>	132,595,701	132,601,097	5,396	0%
<i>Less: Accumulated Depreciation</i>	42,798,665	45,353,713	2,555,048	6%
<b>Net Capital Assets</b>	\$ 89,797,036	\$ 87,247,384	\$ (2,549,652)	-3%

#### Long Term Liabilities

As of June 30, 2018, the District had \$147.3 million in long-term obligations. A large amount of this total is debt service on general obligation bonds issued by the District to finance its construction and modernization program. The District’s long-term liabilities also include \$60.2 million for pension obligations, which represents the District’s share of CalPERS and STRS liabilities. Other postemployment benefit obligations (OPEB) totaled \$18.6 million, which represents application of GASB 75, starting in FY 2018. \$440,045 of long term obligations is the amount of compensated absences liability recorded by the District at year end, an increase of \$74,392 from the prior year.

“Table 6: Long Term Liabilities” shows the District’s outstanding debt as of June 30, 2018 as well as comparable data for the prior year. A more detailed discussion is included in the Notes to the Financial Statements (Note 7) starting on page 29.

State law limits the amount of general obligation debt an elementary school district may issue to 1.25% of its total assessed valuation. The debt limitation for the District as of June 30, 2018 was \$279.7 million, which is \$220 million greater than the District's outstanding general obligation debt as of that date.

**Table 6: Long-term Liabilities**

	June 30, 2017	June 30, 2018	Increase (Decrease)	Percentage Change
Long-term Debt:				
General obligation bonds:				
Current interest bonds	\$ 57,840,000	\$ 49,645,000	\$ (8,195,000)	-14%
Unamortized bond premium	6,894,365	5,745,304	(1,149,061)	-17%
Bond anticipation notes	7,500,000	10,000,000	2,500,000	33%
Lease-leaseback obligations	2,816,856	2,616,096	(200,760)	-7%
Subtotal long-term debt	75,051,221	68,006,400	(7,044,821)	-9%
Other Long-term Liabilities:				
Net pension liabilities	50,882,364	60,195,994	9,313,630	18%
Net OPEB obligation	3,297,141	18,645,547	15,348,406	466%
Compensated absences	365,653	440,045	74,392	20%
Subtotal other long-term liabilities	54,545,158	79,281,586	24,736,428	45%
<b>Total Long-term Liabilities</b>	<b>\$ 129,596,379</b>	<b>\$ 147,287,986</b>	<b>\$ 17,691,607</b>	<b>14%</b>

### Factors Bearing on the District's Future

- A slowing of the growth in the national and state economy is expected as early as late 2019.
- Housing turnover and significant increases in home prices continue to fuel growth in property tax collections.
- The charter school, which has enrolled over 900 District students, continues to impact District finances.
- Continued escalating insurance costs (health, workers compensation, property and liability, etc.) and competition for quality teachers both create additional potential financial burdens on the District.
- A recently voter-approved bond measure should enable the District to discontinue using General Fund monies to help pay for capital improvements and repairs.

### Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact Mr. Randall Kenyon, Assistant Superintendent for Business Services, Los Altos School District, 201 Covington Road, Los Altos, California 94024.

**Basic Financial Statements**

Los Altos School District  
Statement of Net Position  
June 30, 2018

	Governmental Activities
<b>Assets</b>	
Cash in county treasury	\$ 22,363,536
Cash in revolving fund	5,000
Accounts receivable	983,531
Due from grantor government	67,875
Capital assets - net:	
Land	1,488,885
Site improvements	1,225,056
Building and improvements	127,311,189
Equipment	2,575,967
Less accumulated depreciation	<u>(45,353,713)</u>
Total capital assets - net	<u>87,247,384</u>
Total Assets	<u>\$ 110,667,326</u>
<b>Deferred Outflows of Resources</b>	
Deferred loss on early retirement of long-term debt	\$ 2,061,351
OPEB adjustments	963,288
Pension adjustments	<u>18,007,597</u>
Total Deferred Outflows of Resources	<u>\$ 21,032,236</u>
<b>Liabilities</b>	
Accounts payable	\$ 2,321,149
Unearned revenue	18,559
Accrued interest	891,458
Long-term liabilities:	
Due within one year:	
General obligation bonds:	
2016 General obligation refunding bonds	6,028,626
2013 General obligation refunding bonds	<u>4,100,435</u>
Subtotal general obligation bonds	10,129,061
Compensated absences payable	300,137
Site lease purchase obligation	<u>210,451</u>
Total due within one year	<u>10,639,649</u>
Due after one year:	
General obligation bonds:	
2016 General obligation refunding bonds	24,829,505
2013 General obligation refunding bonds	<u>20,431,738</u>
Subtotal general obligation bonds	45,261,243
Bond anticipation notes	10,000,000
Site lease purchase obligation	2,405,645
Compensated absences payable	139,908
Net pension liabilities	60,195,994
Net OPEB obligation	<u>18,645,547</u>
Total due after one year	<u>136,648,337</u>
Total long-term liabilities	<u>147,287,986</u>
Total Liabilities	<u>\$ 150,519,152</u>
<b>Deferred Inflows of Resources</b>	
OPEB adjustments	\$ 976,976
Pension adjustments	<u>3,314,940</u>
Total Deferred Inflows of Resources	<u>\$ 4,291,916</u>
<b>Net Position</b>	
Net investment in capital assets	\$ 21,302,335
Restricted for:	
Capital projects	4,941,551
Debt service	9,806,602
Educational programs	848,850
Unrestricted	<u>(60,010,844)</u>
Total Net Position	<u>\$ (23,111,506)</u>

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

Los Altos School District  
 Statement of Activities  
 For the Fiscal Year Ended June 30, 2018

	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services		Operating Grants and Contributions
Governmental activities:				
Instruction	\$ 52,535,485	\$ -	\$ 5,823,066	\$ (46,712,419)
Instruction-related services:				
Supervision of instruction	2,343,586	-	227,575	(2,116,011)
Instruction library, media and technology	1,213,274	-	-	(1,213,274)
School site administration	3,430,767	-	120,401	(3,310,366)
Pupil services:				
Home-to-school transportation	496,399	-	-	(496,399)
Food services	145,820	-	-	(145,820)
All other pupil services	3,848,697	-	258,667	(3,590,030)
General administration:				
Data processing	770,898	-	-	(770,898)
All other general administration	3,572,719	-	46,713	(3,526,006)
Plant services	8,594,969	-	801,933	(7,793,036)
Other educational programs	7,067	-	-	(7,067)
Interest on long-term debt	3,458,455	-	-	(3,458,455)
Total governmental activities	<u>\$ 80,418,136</u>	<u>\$ -</u>	<u>\$ 7,278,355</u>	<u>(73,139,781)</u>
General revenues:				
General revenues:				
Taxes and subventions:				
Taxes levied for general purposes				44,853,236
Taxes levied for debt service				11,245,865
Taxes levied for other specific purposes				3,225,023
Federal and state aid not restricted to specific purposes				3,595,525
Interest and investment earnings				1,405,666
Miscellaneous				7,348,151
Total general revenues				<u>71,673,466</u>
Change in net position				<u>(1,466,315)</u>
Net position beginning				(6,269,571)
Prior period adjustments - GASB 75 OPEB				<u>(15,375,620)</u>
Net position beginning as adjusted				<u>(21,645,191)</u>
Net position ending				<u>\$ (23,111,506)</u>

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

Los Altos School District  
Balance Sheet  
Governmental Funds  
June 30, 2018

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash in county treasury	\$ 6,584,812	\$ 3,778,303	\$ 1,167,709	\$ 10,668,484	\$ 164,228	\$ 22,363,536
Cash in revolving fund	5,000	-	-	-	-	5,000
Accounts receivable	940,925	5,640	6,617	29,576	773	983,531
Due from grantor government	67,875	-	-	-	-	67,875
<b>Total Assets</b>	<b>\$ 7,598,612</b>	<b>\$ 3,783,943</b>	<b>\$ 1,174,326</b>	<b>\$ 10,698,060</b>	<b>\$ 165,001</b>	<b>\$ 23,419,942</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 2,304,431	\$ 2,410	\$ 14,308	\$ -	\$ -	\$ 2,321,149
Unearned revenue	18,559	-	-	-	-	18,559
<b>Total Liabilities</b>	<b>2,322,990</b>	<b>2,410</b>	<b>14,308</b>	<b>-</b>	<b>-</b>	<b>2,339,708</b>
<b>Fund balances:</b>						
<b>Nonspendable:</b>						
Revolving fund	5,000	-	-	-	-	5,000
<b>Restricted for:</b>						
Educational programs	848,850	-	-	-	-	848,850
Debt service	-	-	-	10,698,060	-	10,698,060
Capital Projects	-	3,781,533	1,160,018	-	-	4,941,551
<b>Assigned for:</b>						
Educational programs	304,332	-	-	-	-	304,332
Site Repairs	-	-	-	-	165,001	165,001
<b>Unassigned:</b>						
Reserve for economic uncertainties	593,339	-	-	-	-	593,339
Unappropriated	3,524,101	-	-	-	-	1,381,913
<b>Total Fund Balances</b>	<b>5,275,622</b>	<b>3,781,533</b>	<b>1,160,018</b>	<b>10,698,060</b>	<b>165,001</b>	<b>21,080,234</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,598,612</b>	<b>\$ 3,783,943</b>	<b>\$ 1,174,326</b>	<b>\$ 10,698,060</b>	<b>\$ 165,001</b>	<b>\$ 23,419,942</b>

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

Los Altos School District  
 Reconciliation of the Governmental Funds  
 Balance Sheet to the Statement of Net Position  
 June 30, 2018

Total fund balances - governmental funds \$ 21,080,234

Amounts reported 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.

Capital assets at cost	\$ 132,601,097	
Accumulated depreciation	(45,353,713)	87,247,384

Deferred outflows of resources include amounts that will not be included in the calculation of the District's net pension liability of the plan year included in this report such as current fiscal year contributions as recorded in the fund statements. 18,007,597

The differences from pension plan assumptions in actuarial valuations are not included in the plan's actuarial study until the next fiscal year and are reported as deferred inflows of resources in the Statement of Net Position. (3,314,940)

The differences between projected and actual amounts in OPEB plans are not included in the plans actuarial study until the next fiscal year and are reported as deferred outflows or inflows of resources in the statement of net position as follows:

OPEB adjustments:		
Contributions subsequent to the measurement date	\$ 963,288	
Change in assumptions	(976,976)	(13,688)

Interest payable on long-term debt does not require the use of current financial resources and, therefore, is not reported in the governmental funds. (891,458)

The difference between the reacquisition price and net carrying value of long-term debt when a bond is refunded is recorded as a deferred loss on the early retirement of long-term debt and a deferred outflow in the government-wide statement of net position and amortized over the remaining life of the refunded debt or refunding debt, whichever is shorter. This transaction is not a current financial resource and is not included in the governmental fund statements. 2,061,351

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	\$ 49,645,000	
Unamortized bond premium	5,745,304	
Bond anticipation note	10,000,000	
Site lease purchase obligation	2,616,096	
Net pension liabilities	60,195,994	
Net OPEB obligation	18,645,547	
Compensated absences (vacation)	440,045	(147,287,986)

Net position - governmental activities \$ (23,111,506)

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

Los Altos School District  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2018

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
LCFF Sources	\$ 39,531,987	\$ -	\$ -	\$ -	\$ 300,174	\$ 39,832,161
Federal revenue	1,102,424	-	-	-	-	1,102,424
Other state	4,966,563	-	-	30,206	-	4,996,769
Other local	17,917,428	324,070	2,347,326	11,280,063	2,519	31,871,406
<b>Total revenues</b>	<b>63,518,402</b>	<b>324,070</b>	<b>2,347,326</b>	<b>11,310,269</b>	<b>302,693</b>	<b>77,802,760</b>
<b>Expenditures:</b>						
<b>Current</b>						
Instruction	42,164,706	-	-	-	-	42,164,706
Instruction-related services:						
Supervision of instruction	2,336,569	-	-	-	-	2,336,569
Instruction library, media and technology	1,027,454	-	-	-	-	1,027,454
School site administration	3,238,340	-	-	-	-	3,238,340
Pupil services:						
Home-to-school transportation	496,399	-	-	-	-	496,399
Food services	145,100	-	-	-	-	145,100
All other pupil services	3,847,977	-	-	-	-	3,847,977
General administration:						
Data processing	763,437	-	-	-	-	763,437
All other general administration	3,521,274	-	-	-	-	3,521,274
Plant services	7,067,395	173,239	1,042,806	-	200,861	8,484,301
Other educational programs	7,067	-	-	-	-	7,067
Facilities acquisition and construction	296,785	352,055	146,851	-	-	795,691
Debt service:						
Principal	200,760	-	-	8,195,000	-	8,395,760
Interest and fees	728,460	16,500	-	2,458,076	-	3,203,036
<b>Total expenditures</b>	<b>65,841,723</b>	<b>541,794</b>	<b>1,189,657</b>	<b>10,653,076</b>	<b>200,861</b>	<b>78,427,111</b>
Excess (deficiency) of revenues over (under) expenditures	(2,323,321)	(217,724)	1,157,669	657,193	101,832	(624,351)
<b>Other financing sources (uses):</b>						
Transfers in	-	27,304	-	-	-	27,304
Transfers out	(27,304)	-	-	-	-	(27,304)
Issuance of debt	-	2,500,000	-	-	-	2,500,000
<b>Total other financing sources (uses)</b>	<b>(27,304)</b>	<b>2,527,304</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,500,000</b>
<b>Net changes in fund balances</b>	<b>(2,350,625)</b>	<b>2,309,580</b>	<b>1,157,669</b>	<b>657,193</b>	<b>101,832</b>	<b>1,875,649</b>
Fund balances beginning	7,626,247	1,471,953	2,349	10,040,867	63,169	19,204,585
<b>Fund balances ending</b>	<b>\$ 5,275,622</b>	<b>\$ 3,781,533</b>	<b>\$ 1,160,018</b>	<b>\$ 10,698,060</b>	<b>\$ 165,001</b>	<b>\$ 21,080,234</b>

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

**Los Altos School District**  
 Reconciliation of the Governmental Funds Statement of  
 Revenues and Expenditures and Changes in Fund Balances  
 to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2018

Total net change in fund balances - governmental funds \$ 1,875,649

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Expenditures for capital asset additions	\$ 5,396	
Less current year depreciation	<u>(2,555,048)</u>	(2,549,652)

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

Repayment of site lease purchase obligations	\$ 200,760	
Proceeds from draw down of bond anticipation note	(2,500,000)	
Repayment of bond principal	<u>8,195,000</u>	5,895,760

Discounts and premiums related to bond issues are recorded as other financing sources and uses in the fund financial statements but are recorded as assets or liabilities and amortized over the life of the bond in the statement of net position:

Amortization of bond premium	\$ 1,149,061	
Amortization of deferred loss on early retirement of long-term debt	<u>(412,270)</u>	736,791

In governmental funds, actual contributions to pension plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year pension expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources. (7,520,848)

In governmental funds, actual contributions to OPEB plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year OPEB expense as noted in the plan's valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources. 13,526

In the statement of activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid). This year vacation earned exceeded the amounts used by: (74,392)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 156,851

Changes in net position of governmental activities \$ (1,466,315)

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

**Los Altos School District**  
 Statement of Fiduciary Assets and Liabilities  
 Fiduciary Funds  
 June 30, 2018

	Student Body Agency Fund <u>Total</u>
<b>Assets:</b>	
Cash on hand and in banks	<u>\$ 374,184</u>
Total Assets	<u><u>\$ 374,184</u></u>
<b>Liabilities</b>	
Due to student groups	<u>\$ 374,184</u>
Total Liabilities	<u><u>\$ 374,184</u></u>

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

# Notes to the Basic Financial Statements

## Note 1. SIGNIFICANT ACCOUNTING POLICIES

### A. Accounting Principles

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

### B. Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of five elected officials who, together, constitute the Board of Trustees. The District's combined financial statements include the accounts of all its operations. The District has evaluated whether any other entity should be included in these financial statements using criteria established by GASB. The District does not have any component units and is not a component unit of any reporting entity for the fiscal year ended June 30, 2018.

### C. Basis of Presentation

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District. Eliminations have been made to minimize the effect of interfund of activities. However, interfund services provided and used are not eliminated in the process of consolidation. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

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

#### *Fund Financial Statements:*

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

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

Fiduciary funds are reported using the economic resources measurement focus except for agency funds, which have no measurement focus. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

### D. Basis of Accounting

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

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources

are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, “available” means collectible within the current period or within 60 days after year-end. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. 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, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

***Deferred Outflow of Resources and Deferred Inflow of Resources:***

A deferred outflow of resources is defined as a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. A deferred inflow of resources is defined as an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time.

When applicable, unamortized portions of the gain and loss on refunding debt are reported as deferred inflows and deferred outflows of resources, respectively. Deferred outflows and inflows of resources are reported for the changes related to pensions from the implementation of GASB Statement No. 68.

In addition, when an asset is recorded in governmental fund financial statements but the revenue is not available, a deferred inflow of resources is reported until such time as the revenue becomes available.

***Unearned Revenue:***

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as unearned revenue. Unearned revenue is recorded to the extent that cash received on specific projects and programs exceeds qualified expenditures. In the governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have been recorded as unearned revenue.

***Expenses/Expenditures:***

Using the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

## **E. Fund Accounting**

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

***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 and nonmajor governmental funds:

***Major Governmental Funds:***

- The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
- The *Building Fund* is used to account for proceeds from the sale or lease of real property and account for the acquisition of major governmental capital facilities and buildings from the sale of bond proceeds.

- The *Capital Facilities Fund* is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (“CEQA”).
- The *Bond Interest and Redemption Fund* is used to account for the interest and redemption of principal of general obligation bonds.

***Non-major Governmental Funds:***

*Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are restricted or committed for purposes other than debt service or capital projects. The restricted or committed resources need to comprise a substantial portion of the inflows reported in the special revenue fund. The District maintains one non-major special revenue funds:

- The *Deferred Maintenance Fund* is used for the purpose of major repair or replacement of District property.

***Fiduciary Funds:***

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

**F. Budgets and Budgetary Accounting**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except for the Bond Interest and Redemption Fund. By state law, the District’s governing board must adopt a final budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District’s governing board satisfied these requirements. A legally adopted budget is not required for the Bond Interest and Redemption Fund.

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

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

For the fiscal year ended June 30, 2018, expenditures within the General Fund, in five expenditure categories, exceeded budget by \$1,686,308 in total. The overage reflects additional expenditures resulting from PTA revenues obtained directly by the schools, which were not budgeted as well as unanticipated repair costs at year-end. Fund balance was more than adequate to cover the excess expenditures. Expenditures within the Capital Facilities Fund, in the services and other operating expenditures category, exceeded budget by \$101,969. The overage results from higher than anticipated costs of installing new portable classrooms. Fund balance was more than adequate to cover the excess expenditures.

**G. Encumbrances**

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

**H. Pensions**

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

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

Valuation Date (VD)	June 30, 2016
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	July 1, 2016 to June 30, 2017

## I. Other Postemployment Benefits Other Than Pensions (OPEB)

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

## J. Assets, Liabilities, and Equity

### 1. Cash and Investments

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 balances held in banks and in revolving funds are insured to \$250,000 by the Federal Deposit Insurance Corporation.

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

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

### 2. Fair Value Measurements

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

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

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

### 3. Inventories and Prepaid Expenditures

#### *Inventories*

Inventories are recorded using the purchases method, in that inventory acquisitions are initially recorded as expenditures. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets. The District's central warehouse inventory is valued at cost and consists of expendable supplies held for consumption. The District had no inventory in its warehouse by the end of the fiscal year ended June 30, 2018.

#### *Prepaid Expenditures*

The District has the option of reporting expenditures in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period, thus recording a prepaid expenditure in the Statement of Net Position. The District did not report any prepaid expenditures for the fiscal year ended June 30, 2018.

### 4. Capital Assets

Capital assets are those purchased or acquired with an original cost of \$5,000 or more and are reported at historical cost or estimated historical cost. Donated capital assets, donated works of art, historical treasures, and similar items, and capital assets received in a service concession arrangement should be reported at acquisition value rather than at fair value. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred.

Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

Assets	Years
Site improvements	20
Buildings	50
Portable buildings	20
Building improvements	20
Furniture and fixtures	20
Playground equipment	20
Food services equipment	15
Transportation equipment	15
Telephone system	10
Reprographics equipment	10
Vehicles	8
Computer system and equipment	5
Office equipment	5

### 5. Compensated Absences

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

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

### 6. Long-Term Obligations

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

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

### 7. Fund Balance Classifications

The District’s policy requires maintaining a minimum unassigned fund balance of not less than 8 percent of budgeted general fund expenditures and other financing uses as a reserve for economic uncertainties. The District believes a reserve of this level is prudent to maintain a high bond rating and to protect the District from the effects of fluctuations in property tax revenues to which basic aid districts are vulnerable. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints on their use, the reserve for economic uncertainties consists of balances that are otherwise unassigned.

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and board policy, the District classifies governmental fund balances as follows:

- *Nonspendable* fund balance includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- *Restricted* fund balance includes amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- *Committed* fund balance includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end. Committed fund balances are imposed by the District’s board of trustees.
- *Assigned* fund balance includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Through Board Policy 3100 and Administrative Regulations (AR3100) the District delegated the authority to assign fund balance amounts to the Superintendent and Assistant Superintendent of Business Services.
- *Unassigned* fund balance includes positive amounts within the general fund that have not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

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

In order to comply with the requirements of GASB 54, the District has combined transactions in the Special Reserve Fund for Other than Capital Outlay (Special Reserve Fund) and the Special Reserve Fund for Other Postemployment Benefits (OPEB Fund) with the General Fund. The Special Reserve Fund and the OPEB Fund do not meet the definition of a special revenue fund as defined by GASB 54.

## 8. Net Position

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

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

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

*Educational Program* restrictions reflect the amounts to be expended for federal and state funded educational programs.

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

## 9. Local Control Funding Formula and Property Taxes

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

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

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

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

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

The California Department of Education reduces the District's entitlement by the District local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment.

The District's Base Local Control Funding Formula Revenue is the amount of general-purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

## 10. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District has joined together with other school districts in the County to form the South Bay Area Schools Insurance Authority ("SBASIA") and the Santa Clara County School Insurance Group ("SCCSIG"), public entity risk pools currently operating as common risk management and insurance program. The District pays an annual premium for its property and casualty, workers' compensation, and liability insurance coverage. The joint powers agreements (JPA) provide that the SBASIA and SCCSIG will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of self-insured levels.

There were no significant reductions in insurance coverage from coverage in the prior year and no insurance settlement exceeding insurance coverage in each of the past three years.

### 11. Interfund Transactions

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

### 12. Accounting Estimates

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

### 13. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through the date the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure, other than the Tax and Revenue Anticipation Notes described in Note 13.

## K. Implemented New Accounting Pronouncements

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

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

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

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

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

As of June 30, 2018, according to GASB 75, the District's net OPEB liability must be recognized. Therefore, the previous total OPEB liability as of June 30, 2017 in the amount of \$15,375,620 has been shown as a restatement of net position in the Statement of Activities as a separate line item.

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

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

## L. Upcoming Accounting and Reporting Changes

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

This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2018. Earlier application is encouraged.

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

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

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

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018. Earlier application is encouraged.

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

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

The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the fiscal year ending June 30, 2021.

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

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

This Statement addresses additional information to be disclosed in the notes to the financial statements regarding debt, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2018. Earlier application is encouraged. The District doesn't believe this statement will have a significant impact on the District's financial statements.

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

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

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

**Note 2. CASH AND INVESTMENTS**

**A. Summary of Deposits**

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

Deposit or Investment	Carrying Amount	Fair Value	Investment Rating
Cash in county treasury investment pool	\$ 22,363,536	\$ 22,183,905	AA
Cash in revolving fund	5,000	5,000	n/a
Subtotal cash and investments	22,368,536	22,188,905	
Fiduciary funds cash	374,184	374,184	n/a
<b>Total Cash and Investments</b>	<b>\$ 22,742,720</b>	<b>\$ 22,563,089</b>	

**B. Cash in banks and revolving funds**

As of June 30, 2018, the bank balances of the District’s accounts totaled \$412,305, of which \$162,305 was not covered by the Federal Deposit Insurance Corporation (“FDIC”). The FDIC covers up to \$250,000 per bank.

**C. Cash 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 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 fair value of the District’s position in the pool is the same as the value of the pool. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

**D. Fair Value Measurements**

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

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

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

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

**E. 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.

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

**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 investing in the County Treasury. The District maintains deposits with the Santa Clara County Investment Pool, which has a fair value of approximately \$7.52 billion. The amortized book value of the investment pool is \$7.58 billion. The average weighted maturity for this pool is 479 days. The District follows the County’s interest rate risk policy but does not have a formal investment policy.

**Credit Risk**

Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the Santa Clara County Investment Pool is governed by the County’s general investment policy, which is to apply the prudent-person rule: Investments are made as a prudent person would be expected to

act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The County’s investment policy limits all investments to the top three ratings issued by at least two of the nationally recognized statistical rating organizations (NRSRO). The District follows the County’s credit risk policy but does not have a formal investment policy.

**Custodial Credit Risk – Deposits**

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

**Custodial Credit Risk – Investments**

This is the risk that in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. All of the District’s cash has been invested with the Santa Clara County Investment Pool and is governed by the County’s general investment policy.

**Concentration of Credit Risk**

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

**Note 3. ACCOUNTS RECEIVABLE**

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

Receivables Categories	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Totals
Federal Government:						
Special education	\$ 38,972	\$ -	\$ -	\$ -	\$ -	\$ 38,972
Title II	297	-	-	-	-	297
Title III	24,074	-	-	-	-	24,074
State Government:						
Lottery	193,058	-	-	-	-	193,058
Special education	67,875	-	-	-	-	67,875
Interest	-	-	-	29,576	-	29,576
All other resources	684,524	5,640	6,617	-	773	697,554
Total Receivables	1,008,800	5,640	6,617	29,576	773	1,051,406
Less: Due from Other Governments	67,875	-	-	-	-	67,875
Accounts Receivable	\$ 940,925	\$ 5,640	\$ 6,617	\$ 29,576	\$ 773	\$ 983,531

**Note 4. INTERFUND TRANSACTIONS**

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

**A. Interfund Receivables and Payables (Due to/from)**

There were no interfund receivable or payable balances as of June 30, 2018.

**B. Interfund Transfers in and out**

For the year ended June 30, 2018, the General Fund had transferred \$27,304 to the Building Fund to cover costs for portable buildings.

**Note 5. CAPITAL ASSETS AND DEPRECIATION**

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

Capital Asset Category	Balance June 30, 2017	Additions	Disposals	Adjustments & Reclassifications	Balance June 30, 2018
<b>Non-Depreciable Capital Assets:</b>					
Land	\$ 1,488,885	\$ -	\$ -	\$ -	\$ 1,488,885
Subtotal non-depreciable capital assets	1,488,885	-	-	-	1,488,885
<b>Depreciable Capital Assets:</b>					
Site improvements	1,225,056	-	-	-	1,225,056
Buildings and improvements	127,311,189	-	-	-	127,311,189
Equipment	2,570,571	5,396	-	-	2,575,967
Subtotal depreciable capital assets	131,106,816	5,396	-	-	131,112,212
<b>Less accumulated depreciation for:</b>					
Site improvements	1,118,171	12,750	-	-	1,130,921
Buildings and improvements	39,711,406	2,465,999	-	-	42,177,405
Equipment	1,969,088	76,299	-	-	2,045,387
Total accumulated depreciation	42,798,665	2,555,048	-	-	45,353,713
Subtotal depreciable Capital asset - net depreciation	88,308,151	(2,549,652)	-	-	85,758,499
<b>Capital Assets - Net</b>	<b>\$ 89,797,036</b>	<b>\$ (2,549,652)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 87,247,384</b>

Depreciation expense was charged to governmental activities as follows:

<b>Governmental Activities Depreciation Expense by Function</b>	
Instruction	\$ 1,998,770
Supervision of instruction	7,017
Instruction library, media and technology	185,820
School site administration	192,427
Food services	720
All other pupil services	720
Data processing	7,461
All other general administration	51,445
Plant services	110,668
<b>Total Depreciation Expense</b>	<b>\$ 2,555,048</b>

**Note 6. TAX AND REVENUE ANTICIPATION NOTES**

The District issued \$12,000,000 of tax and revenue anticipation notes (TRAN) dated July 13, 2017. The notes matured on June 30, 2018 and yield 5% interest. The TRAN was issued to supplement cash flow with a premium of \$456,960. The accrued interest expense of \$555,000 was paid in June of 2018. All TRAN payments are made from the General Fund.

The TRAN summary schedule of changes for the year ended June 30, 2018 was as follows:

Beginning balance	\$ -
Increases	12,000,000
Decreases	12,000,000
Ending Balance	\$ -

**Note 7. LONG-TERM LIABILITIES**

**A. General Obligation Bonds**

**1. 2013 General Obligation Refunding Bonds**

On February 12, 2013, the District issued \$30.6 million in 2013 General Obligation Refunding Bonds with interest rates ranging from 3.0 percent to 5.0 percent to advance refund \$26 million of outstanding 2006 General Obligation Bonds, with interest rates ranging from 4.5 percent to 5.0 percent, referred to as the "Refunded Bonds." The net proceeds of \$31 million (after payment of \$288,000 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were

deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Refunded Bonds. As a result, the Refunded Bonds are considered to be defeased and the liability of those bonds has been removed from the government-wide statement of net position.

The advance refunding resulted in a difference of \$2.7 million between the reacquisition price and the net carrying value amount of the old debt. The difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged (amortized) to operations through fiscal year 2024 using the straight-line method. The District completed the advance refunding to obtain an economic gain (the difference between the present value of the old and new debt service payments) of \$2.6 million.

The 2013 General Obligation Refunding Bonds consist of Current Interest Bonds of \$25,455,000. Interest on the Current Interest Bonds is compounded semiannually and payable on each February 1 and August 1, commencing August 1, 2013. It bears interest rates ranging from 3.0% to 5.0%. The principal of the bonds is payable on August 1 of each year, with an initial principal payment on August 1, 2013, then commencing annually on August 1, 2017.

The annual debt service requirements of the 2013 General Obligation Refunding Bonds as of June 30, 2018 are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2019	\$ 3,590,000	\$ 867,500	\$ 4,457,500
2020	3,895,000	716,275	4,611,275
2021	4,290,000	511,650	4,801,650
2022	4,710,000	310,200	5,020,200
2023	5,115,000	113,700	5,228,700
2024	380,000	5,700	385,700
<b>Total Debt Service</b>	<b>\$ 21,980,000</b>	<b>\$ 2,525,025</b>	<b>\$ 24,505,025</b>

## 2. 2016 General Obligation Refunding Bonds

On July 7, 2016, the District issued \$32.55 million in 2016 General Obligation Refunding Bonds with interest rates ranging from 2.0 percent to 5.0 percent to advance refund \$36.15 million of all outstanding 2006 General Obligation Bonds, with interest rates ranging from 4.5 percent to 5.0 percent, referred to as the “Refunded Bonds.” The net proceeds of \$36.38 million were transferred to U.S. Bank National Association, as paying agent for the 2006 Bonds, to be applied to the redemption of the 2006 Bonds on August 1, 2016, at a redemption price of the par amount of the 2006 Bonds plus accrued interest to the date of redemption. As a result, the Refunded Bonds are considered to be defeased and the liability of those bonds has been removed from the government-wide statement of net position. The advance refunding resulted in a difference of \$315,000 between the reacquisition price and the net carrying value amount of the old debt. At the time of the refunding, there was an aggregate difference in debt service of \$10,862,300 between the 2016 refunding bonds and the 2006 bonds being refunded.

The \$36.38 million net proceeds from the 2016 General Obligation Refunding Bonds included premiums of \$3.83 million, and \$232 thousand in underwriting fees and other issuance costs. Interest on the bonds is compounded semiannually and payable on each February 1 and August 1, commencing February 1, 2017. The principal of the bonds is payable on August 1 of each year, commencing on August 1, 2017.

The annual debt service requirements of the 2016 General Obligation Refunding Bonds as of June 30, 2018 are as follows:

Year Ending June 30,	Principal	Interest	Total Payment
2019	\$ 5,390,000	\$ 1,094,650	\$ 6,484,650
2020	5,920,000	811,900	6,731,900
2021	6,490,000	501,650	6,991,650
2022	7,105,000	197,300	7,302,300
2023	2,760,000	27,600	2,787,600
<b>Total Debt Service</b>	<b>\$ 27,665,000</b>	<b>\$ 2,633,100</b>	<b>\$ 30,298,100</b>

## B. General Obligation Bond Anticipation Notes

Through elections, the District received authorization to issue general obligation bonds (GOB) that requires the county to levy annual ad valorem taxes for the payment of interest and principal on the bonds. Bond proceeds are used to build additional classrooms and to perform repairs and renovations. In November of 2014, the District passed Measure N—a \$150 million general obligation bond measure.

In February 2016 the District was authorized to issue General Obligation Bond Anticipation Notes (BANS) with an aggregate maximum stated principal amount of \$50 million through Wells Fargo Bank, NA. With the initial issuance, Wells Fargo Bank, the

purchaser of the Notes, deposited \$120,000 in a special account to be held and maintained by U.S. Bank National Association, the Custodian and Disbursing Agent. The Custodian and Disbursing Agent will pay costs of issuance of the Notes as directed by the District.

On February 4, 2016, the District issued its first \$5 million in BANS. The net proceeds of \$4.88 million, after issuance costs of \$120,000, were deposited in the Measure N Building Fund. The BANS bear interest at 1.52% and mature on August 1, 2019. Interest on the BANS is payable on February 1, 2017 and semiannually thereafter on the first day of February and August in each year until the maturity date.

On November 23, 2016, the District issued \$2.5 million in BANS, which were deposited in the Measure N Building Fund. The BANS bear interest at 1.90% and mature on August 1, 2019. Interest on the BANS is payable on February 1, 2018 and semiannually thereafter on the first day of February and August in each year until the maturity date.

On June 28, 2018, the District issued \$2.5 million in BANS, which were deposited in the Measure N Building Fund. The BANS bear interest at 3.13% and mature on August 1, 2019. Interest on the BANS is payable on February 1, 2019 and at the maturity date.

### C. Lease-Leaseback Transactions

In July 2007, the District entered into a lease-leaseback agreement in which the Gardner Bullis School site, located on 25890 Fremont Road, Los Altos Hills, California, (owned by the District) was leased to a third party for a \$2,165,000 advance and subsequently leased back to the District pursuant to a 20-year operating lease. The District retained ownership of the underlying land and, therefore, accounted for the transaction under the deposit method of accounting as a lease purchase.

In October 2008, the District entered into a lease-leaseback agreement in which a site in Los Altos Hills, California, (owned by the District) was leased to a third party for a \$2,025,000 advance and subsequently leased back to the District pursuant to a 20-year operating lease. The District retained ownership of the underlying land and, therefore, accounted for the transaction under the deposit method of accounting as a lease purchase.

The principal and interest payments on the lease are payable twice a year and began in July of 2008 and end in November of 2028. The following is a schedule of the future minimum lease payments required under the lease:

Year Ending June 30,	Principal	Interest	Total Payment
2019	\$ 210,451	\$ 122,352	\$ 332,803
2020	220,609	112,194	332,803
2021	231,257	101,545	332,802
2022	242,419	90,384	332,803
2023	254,121	78,682	332,803
2024-2028	1,379,783	197,144	1,576,927
2029	77,456	1,859	79,315
<b>Total Lease Payable</b>	<b>\$ 2,616,096</b>	<b>\$ 704,160</b>	<b>\$ 3,320,256</b>

### D. Schedule of Changes in Long-term Liabilities

A schedule of changes in long-term liabilities for the fiscal year ended June 30, 2018, is shown below:

Long-term Liabilities	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
General Obligation Bonds:					
Current Interest Bonds	\$ 57,840,000	\$ -	\$ 8,195,000	\$ 49,645,000	\$ 8,980,000
Unamortized bond premium	6,894,365	-	1,149,061	5,745,304	1,149,061
Total General Obligation Bonds	64,734,365	-	9,344,061	55,390,304	10,129,061
Bond anticipation note	7,500,000	2,500,000	-	10,000,000	-
Lease-leaseback obligations	2,816,856	-	200,760	2,616,096	210,451
Net pension liabilities	50,882,364	32,934,306	23,620,676	60,195,994	-
Net postemployment benefits	3,297,141	17,522,812	2,174,406	18,645,547	-
Compensated Absences	365,653	374,529	300,137	440,045	300,137
<b>Total Long-term Liabilities</b>	<b>\$ 129,596,379</b>	<b>\$ 53,331,647</b>	<b>\$ 35,640,040</b>	<b>\$ 147,287,986</b>	<b>\$ 10,639,649</b>

Payments on the general obligation bonds are made from the Bond Interest and Redemption Fund using local revenues. Compensated absences, net pension liabilities and net postemployment benefits are paid by the General Fund. Lease payments also are made from the General Fund.

**Note 8. OPERATING LEASES**

The District has entered into various operating leases for portables, building space and office equipment with lease terms in excess of one year. None of the agreements contain purchase options. All of the agreements contain termination clauses providing for lease cancellation after written notice is provided to the lessors. However, it is unlikely that the District will cancel any of the agreements before the expiration date. It is expected that in the normal course of business most of these leases will be replaced by similar leases. None of the leases have been sublet. The rent expense for the fiscal year ended June 30, 2018 was \$1,640,929. The annual minimum lease payments for each of the next four years are as follows:

Year Ending June 30,	Amount Due
2019	\$ 1,001,361
2020	355,032
2021	77,560
2022	6,912
<b>Total Operating Leases</b>	<b>\$ 1,440,865</b>

**Note 9. JOINT POWERS AGREEMENTS**

The District participates in four joint powers agreement ("JPA") entities: the South Bay Area Schools Insurance Authority ("SBASIA"), the Santa Clara County Schools Insurance Group ("SCCSIG"), Community Health Awareness Council ("CHAC"), and the Silicon Valley Joint Powers Transportation Agency ("SVJPTA"). A board consisting of a representative from each member district governs each JPA. The governing boards control the operation of the JPAs independent of any influence by the District beyond the District's representation on the governing board. Each JPA is independently accountable for its fiscal matters. Budgets are not subject to any approval other than that of the governing board. Member districts share surpluses and deficits proportionately to their participation. The relationship between the District and each JPA is such that each JPA is not a component unit of the District for financial reporting purposes.

The following is the summary of coverage provided by each JPA, and each JPA's most recent financial statement information:

	Risk Management		Other	
	SBASIA	SCCSIG	SVJPTA	CHAC
	June 30, 2017	June 30, 2017	June 30, 2017	June 30, 2017
Total Assets and Deferred Outflows	\$ 5,452,545	\$ 21,729,401	\$ 810,645	\$ 4,770,009
Total Liabilities and Deferred Inflows	3,855,991	6,341,418	428,009	173,870
Total Equity	1,596,554	15,387,983	382,636	4,596,139
Total Revenues	3,508,638	36,088,227	8,048,461	3,175,819
Total Expenditures	4,666,817	34,053,133	8,035,268	3,191,728
<b>SBASIA</b> provides property and liability insurance coverage.				
<b>SCCSIG</b> provides worker's compensation insurance.				
<b>SVJPTA</b> provides transportation services to students with disabilities.				
<b>CHAC</b> provides treatment services and prevention & intervention counseling services				

**Note 10. COMMITMENTS AND CONTINGENCIES**

**A. Litigation**

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

**B. Federal and State Allowances, Award, and Grants**

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

**C. Early Retirement**

The board of education has adopted an early retirement incentive program. The District has entered into contracts with certain eligible employees whereby 20 service days per year will be performed during the future five-year period or age 65, whichever comes first, for a stipulated yearly amount plus employee benefits. The outstanding contract amount for this purpose is \$223,058. This amount is contingent upon the employees performing the required service days per year.

**Note 11. EMPLOYEE RETIREMENT SYSTEMS**

**A. California Public Employees Retirement System (CalPERS/PERS) Pension Plan**

**General Information about the PERS Pension Plan**

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

**Benefits Provided** - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees’ Retirement Law. The Plans’ provisions and benefits in effect at June 30, 2018, are summarized as follows:

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

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

For the year ended June 30, 2018, the District contributed \$1,171,418 to the CalPERS plan.

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

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

	Proportionate Share of Net Pension Liability/(Asset)	
CalPERS	\$	15,806,074

The District’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District’s proportionate share of the net pension liability was as follows:

	CalPERS
Proportion - June 30, 2017	0.06500%
Proportion - June 30, 2018	0.06621%
Change - Increase/(Decrease)	0.00121%

For the year ended June 30, 2018, the District recognized pension expense of \$2,902,444 for the Plan. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CalPERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 2,122,629	\$ -
Differences between Expected and Actual Experience	566,266	-
Differences between Projected and Actual Investment Earnings	546,782	-
Differences between Employer's Contributions and Proportionate Share of Contributions	-	18,212
Change in Employer's Proportion	-	46,957
Pension Contributions Made Subsequent to Measurement Date	1,408,100	-
<b>Total</b>	<b>\$ 4,643,777</b>	<b>\$ 65,169</b>

The District reported \$1,408,100 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/(Inflows) of Resources CalPERS
2019	\$ 909,454
2020	1,425,412
2021	1,135,060
2022	(299,418)
2023	-
Thereafter	-
<b>Total</b>	<b>\$ 3,170,508</b>

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

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	(1)
Investment Rate of Return	7.5% (2)
Mortality	(3)
(1) Varies by age and service	
(2) Net of pension plan investment expenses, including inflation	
(3) Derived using CalPERS' membership data for all funds	

**Discount Rate** - The discount rate used to measure the total pension liability was 7.15 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

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

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

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

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

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

CalPERS	
1% Decrease	6.15%
Net Pension Liability \$	23,255,801
Current	7.15%
Net Pension Liability \$	15,806,074
1% Increase	8.15%
Net Pension Liability \$	9,625,903

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

## B. California State Teachers’ Retirement System (STRS) Pension Plan

### General Information about the STRS Pension Plan

**Plan Description** - The District contributes to the State Teachers’ Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers’ Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information.

**Benefits Provided** - STRS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. The cost of living adjustments for the Plan are applied as specified by the retirement Law. The Plan’s provisions and benefits in effect at June 30, 2018, are summarized as follows:

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

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

For the year ended June 30, 2018, the District contributed \$3,905,538 to the Plan. The following summarizes the District’s contributions and the state on-behalf contributions during the year:

CalSTRS	
Employer Contributions \$	3,905,538
State Contributions	2,152,456
Total \$	6,057,994

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

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

	Proportionate Share of Net Pension Liability/(Asset)	
District	\$	44,389,920
State		16,499,733
Total	\$	60,889,653

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

The District’s proportionate share of the net pension liability was as follows:

	CalSTRS
Proportion - June 30, 2017	0.04900%
Proportion - June 30, 2018	0.04800%
Change - Increase/(Decrease)	-0.00100%

For the year ended June 30, 2018, the District recognized pension expense of \$2,916,183 for the Plan. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CalSTRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 8,223,840	\$ -
Differences between Expected and Actual Experience	-	610,080
Differences between Projected and Actual Investment Earnings	-	1,182,240
Differences between Employer's Contributions and Proportionate Share of Contributions	1,234,442	-
Change in Employer's Proportion	-	1,457,451
Pension Contributions Made Subsequent to Measurement Date	3,905,538	-
<b>Total</b>	<b>\$ 13,363,820</b>	<b>\$ 3,249,771</b>

The District reported \$3,905,538 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/(Inflows) of Resources CalSTRS
2019	\$ 232,023
2020	1,958,823
2021	1,322,343
2022	164,343
2023	1,012,221
Thereafter	1,518,758
<b>Total</b>	<b>\$ 6,208,511</b>

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

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.10%
Inflation	2.75%
Payroll Growth	3.50%
Projected Salary Increase	(1)
Investment Rate of Return	7.50% (2)
Mortality	(3)
(1) Varies by age and service. Approximately 6% average over career including inflation	
(2) Net of pension plan investment expenses and administrative expenses, including inflation	
(3) Derived using CalSTRS' membership data for all funds	

**Discount Rate** - The discount rate used to measure the total pension liability was 7.1 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.1 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

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

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

CalSTRS	
1% Decrease	6.10%
Net Pension Liability \$	65,179,200
Current	7.10%
Net Pension Liability \$	44,389,920
1% Increase	8.10%
Net Pension Liability \$	27,518,880

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

**Note 12. OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description**

The Los Altos School District Retiree Healthcare Plan (Plan) is a single-employer defined benefit healthcare plan administered by the District. The plan provides healthcare benefits to eligible retirees and their dependents. Benefit provisions are established and may be amended through agreements and memorandums of understanding between the District, its management employees, and unions representing District employees.

**Benefits**

The District provides retiree medical benefits through the California Public Employees’ Retirement System healthcare program (PEMHCA). The eligibility requirements and benefits payable are as follows:

**Certificated employees** hired prior to October 1988 who retire after age 55 with at least 10 years of service are entitled to 100% (95% if retired after June 30, 2006) of the full medical premium for any CalPERS medical plan except PERS Care. Certificated employees hired after September 1988 who retire after age 50 with at least 35 years of service will be paid the PEMHCA minimum benefit. No benefits are paid to dependent spouses.

**Classified employees** hired prior to November 1988 who retire after age 55 with at least 10 years of service are entitled to 100% (95% if retired after June 30, 2012) of the full medical premium for any CalPERS medical plan except PERS Care. Classified employees hired after October 1988 who retire after age 50 with at least 35 years of service will be paid the PEMHCA minimum benefit. No benefits are paid to dependent spouses.

**Management employees** hired prior to July 1989 and **confidential employees** hired prior to November 1988 who retire after age 55 with at least 10 years of service (including 5 years of District service) are entitled to 100% (95% if retired after June 30, 2006) of the full medical premium for any CalPERS medical plan except PERS Care, plus dental coverage. All other management and confidential employees who retire after age 50 with at least 35 years of service will be paid the PEMHCA minimum benefit. Dental benefits are also payable if hired before July 1989 and retired before May 2009. Dependent spouses are also covered.

### Employees Covered by Benefit Terms

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

Active employees	493
Inactive employees	174
<b>Total employees</b>	<b>667</b>

### Contributions

The District makes contributions based on an actuarially determined rate and are approved by the authority of the District’s Board. Total contributions to the OPEB plan during the year were \$963,288. Total benefit payments included in the measurement period were \$1,211,118. The actuarially determined contribution for the measurement period was \$1,765,489. The District’s contributions were 3.4% of payroll for the fiscal year ended June 30, 2018. Employees are not required to contribute to the plan. There have been no assets accumulated in a trust to provide for the benefits of this plan.

### Actuarial Assumptions

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

<b>Valuation Date:</b>	June 30, 2017
<b>Measurement Date:</b>	June 30, 2017
<b>Actuarial Cost Method:</b>	Entry-Age Method, with Normal Cost at Level % of Payroll
<b>Amortization Period:</b>	20 years
<b>Actuarial Assumptions:</b>	
<b>Discount Rate</b>	3.13%
<b>Inflation</b>	2.75%
<b>Payroll Increases</b>	3.00%
<b>Municipal Bond Rate</b>	3.13%
<b>Mortality</b>	Mortality rates were taken from the 2014 CalPERS OPEB Assumptions Model (for classified and confidential employees) and the 2016 STRS valuation (for certificated and management employees)
<b>Retirement</b>	Retirement rates were taken from the 2014 CalPERS OPEB Assumptions Model (for classified and confidential employees) and the 2016 STRS valuation (for certificated and management employees)

### Discount Rate

Since the benefits are not funded, the discount rate is equal to the 20-Year Bond Rate. The District has chosen to use the "S&P Municipal Bond 20 Year High Grade Rate Index" as its 20-year bond rate. That Index was 3.13% at June 30, 2017.

### Total OPEB Liability

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

### Changes in the Total OPEB Liability

The following summarizes the changes in the net OPEB liability during the fiscal year ended June 30, 2018, for the measurement date of June 30, 2017:

Fiscal Year Ended June 30, 2018 (Measurement Date June 30, 2017)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
<b>Balance at June 30, 2017</b>	\$ 19,883,879	\$ -	\$ 19,883,879
Service cost	497,104	-	497,104
Interest in Total OPEB Liability	522,442	-	522,442
Balance of changes in assumptions	(1,046,760)	-	(1,046,760)
Benefit payments	(1,211,118)	-	(1,211,118)
<b>Net changes</b>	<b>(1,238,332)</b>	<b>-</b>	<b>(1,238,332)</b>
<b>Balance at June 30, 2018</b>	<b>\$ 18,645,547</b>	<b>\$ -</b>	<b>\$ 18,645,547</b>
Covered Payroll at Measurement Date	\$ 35,460,858		
Total OPEB Liability as a % of covered payroll	52.58%		
Service cost as a % of covered payroll	1.40%		

The District's plan is nonfunded, meaning there have not been assets placed into an irrevocable trust, therefore the plan fiduciary net position is zero.

### Deferred Inflows and Outflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ -	\$ -
Difference between actual and expected earnings	-	-
Change in assumptions	-	(976,976)
OPEB contribution subsequent to measurement date	963,288	-
<b>Totals</b>	<b>\$ 963,288</b>	<b>\$ (976,976)</b>

Of the total amount reported as deferred outflows of resources related to OPEB, \$963,288 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in the year ending June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2019	\$ (69,784)
2020	(69,784)
2021	(69,784)
2022	(69,784)
2023	(69,784)
Thereafter	(628,056)
<b>Total</b>	<b>\$ (976,976)</b>

**OPEB Expense**

The following summarizes the OPEB expense by source during the fiscal year ended June 30, 2018, for the measurement date of June 30, 2017:

Service cost	\$ 497,104
Interest in TOL	522,442
Other	-
Difference between actual and expected experience	-
Change in assumptions	(69,784)
Administrative expenses	-
<b>OPEB Expense</b>	<b>\$ 949,762</b>

The following summarizes changes in the net OPEB liability as reconciled to OPEB expense during the fiscal year ended June 30, 2018, for the measurement date of June 30, 2017:

Total OPEB liability ending	\$ 18,645,547
Total OPEB liability beginning	(19,883,879)
Change in total OPEB liability	(1,238,332)
Changes in deferred outflows	-
Changes in deferred inflows	976,976
Employer contributions	1,211,118
<b>OPEB Expense</b>	<b>\$ 949,762</b>

**Sensitivity to Changes in the Discount Rate**

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

	2.13% (1% Decrease)	3.13% (Current Rate)	4.13% (1% Increase)
Total OPEB Liability	\$ 21,295,040	\$ 18,645,547	\$ 16,477,431

**Sensitivity to Changes in the Healthcare Cost Trend Rates**

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

	3.0% - 4.5% (1% Decrease)	4.0% - 5.5% (Current Rate)	5.0% - 6.5% (1% Increase)
Total OPEB Liability	\$ 16,357,057	\$ 18,645,547	\$ 21,549,849

**Note 13. SUBSEQUENT EVENTS**

*Tax and Revenue Anticipation Notes (the "Notes")*

The District issued \$12,000,000 of tax and revenue anticipation notes dated July 11, 2018. The notes mature on June 28, 2019 and yield 3.0% interest. The notes were sold to supplement cash flow. Both the principal and interest on the notes are payable in full by June 28, 2019.

# Required Supplementary Information Section

**Los Altos School District**  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget to Actual (GAAP)  
 General Fund  
 For the Fiscal Year Ended June 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive - (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual (GAAP Basis)</u>	
<b>Revenues:</b>				
LCFF sources	\$ 39,616,948	\$ 39,544,802	\$ 39,531,987	\$ (12,815)
Federal revenues	1,107,494	1,098,444	1,102,424	3,980
Other state	2,960,512	4,704,866	4,966,563	261,697
Other local	15,301,895	16,418,059	17,917,428	1,499,369
<b>Total revenues</b>	<u>58,986,849</u>	<u>61,766,171</u>	<u>63,518,402</u>	<u>1,752,231</u>
<b>Expenditures:</b>				
Certificated salaries	26,364,576	27,450,545	27,457,333	(6,788)
Classified salaries	9,179,301	9,745,288	9,967,797	(222,509)
Employee benefits	15,142,407	15,675,584	15,915,616	(240,032)
Books and supplies	1,610,590	1,908,530	2,829,073	(920,543)
Services and other operating expenditures	6,237,472	8,897,444	9,193,880	(296,436)
Capital outlay	236,570	182,070	138,155	43,915
Other outgo	350,884	340,559	339,869	690
<b>Total expenditures</b>	<u>59,121,800</u>	<u>64,200,020</u>	<u>65,841,723</u>	<u>(1,641,703)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(134,951)</u>	<u>(2,433,849)</u>	<u>(2,323,321)</u>	<u>110,528</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	-
Transfers out	-	(27,304)	(27,304)	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>(27,304)</u>	<u>(27,304)</u>	<u>-</u>
<b>Net changes in fund balance</b>	<u>(134,951)</u>	<u>(2,461,153)</u>	<u>(2,350,625)</u>	<u>110,528</u>
Fund balances beginning	<u>7,626,247</u>	<u>7,626,247</u>	<u>7,626,247</u>	<u>-</u>
<b>Fund balances ending</b>	<u>\$ 7,491,296</u>	<u>\$ 5,165,094</u>	<u>\$ 5,275,622</u>	<u>\$ 110,528</u>

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

Los Altos School District  
 Required Supplementary Information  
 Schedule of CalPERS Pension Plan Contributions  
 For the Fiscal Year Ended June 30, 2018

Plan Measurement Date	2017	2016	2015	2014
Fiscal Year Ended	2018	2017	2016	2015
Contractually Required Contributions	\$ 1,408,100	\$ 1,171,418	\$ 924,129	\$ 883,649
Contributions in Relation to Contractually Required Contributions	1,408,100	1,171,418	924,129	883,649
<b>Contribution Deficiency (Excess)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Covered Employee Payroll</b>	<b>\$ 9,066,383</b>	<b>\$ 8,434,749</b>	<b>\$ 7,800,334</b>	<b>\$ 7,507,000</b>
<b>Contributions as a Percentage of Covered Payroll</b>	<b>15.53%</b>	<b>13.89%</b>	<b>11.85%</b>	<b>11.77%</b>

**Notes to Schedule:**

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

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

**Los Altos School District**  
 Required Supplementary Information  
 Schedule of CalPERS Proportionate Share of Net Pension Liability  
 For the Fiscal Year Ended June 30, 2018

Plan Measurement Date	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Fiscal Year Ended	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Proportion of Net Pension Liability	0.06621%	0.06523%	0.06530%	0.06520%
Proportionate Share of Net Pension Liability	\$ 15,806,074	\$ 12,882,222	\$ 9,625,746	\$ 7,401,788
Covered Payroll	\$ 8,434,749	\$ 7,800,334	\$ 7,507,000	\$ 6,857,805
<b>Proportionate Share of NPL as a % of Covered Payroll</b>	<b>187.39%</b>	<b>165.15%</b>	<b>128.22%</b>	<b>107.93%</b>
<b>Plan's Fiduciary Net Position as a % of the TPL</b>	<b>71.87%</b>	<b>73.90%</b>	<b>79.43%</b>	<b>83.38%</b>

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

There were no changes in benefit terms

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

Los Altos School District  
 Required Supplementary Information  
 Schedule of STRS Pension Plan Contributions  
 For the Fiscal Year Ended June 30, 2018

Plan Measurement Date	2017	2016	2015	2014
Fiscal Year Ended	2018	2017	2016	2015
Contractually Required Contributions	\$ 3,905,538	\$ 3,262,895	\$ 2,605,243	\$ 1,927,255
Contributions in Relation to Contractually Required Contributions	3,905,538	3,262,895	2,605,243	1,927,255
<b>Contribution Deficiency (Excess)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Covered Payroll</b>	<b>\$ 27,065,405</b>	<b>\$ 25,937,162</b>	<b>\$ 24,279,991</b>	<b>\$ 21,703,322</b>
<b>Contributions as a Percentage of Covered Payroll</b>	<b>14.43%</b>	<b>12.58%</b>	<b>10.73%</b>	<b>8.88%</b>

**Notes to Schedule:**

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

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

There were no changes in benefit terms

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

Los Altos School District  
 Required Supplementary Information  
 Schedule of STRS Proportionate Share of Net Pension Liability  
 For the Fiscal Year Ended June 30, 2018

Plan Measurement Date Fiscal Year Ended	<b>2017</b> <b>2018</b>	<b>2016</b> <b>2017</b>	<b>2015</b> <b>2016</b>	<b>2014</b> <b>2015</b>
Proportion of Net Pension Liability	0.04800%	0.04698%	0.04658%	0.05000%
Proportionate Share of Net Pension Liability	\$ 44,389,920	\$ 38,000,142	\$ 31,357,212	\$ 29,218,500
Covered Payroll	\$ 25,937,162	\$ 24,279,991	\$ 21,703,322	\$ 22,804,716
<b>Proportionate Share of NPL as a % of Covered Payroll</b>	<b>171.14%</b>	<b>156.51%</b>	<b>144.48%</b>	<b>128.12%</b>
<b>Plan's Fiduciary Net Position as a % of the TPL</b>	<b>69.46%</b>	<b>70.04%</b>	<b>74.02%</b>	<b>76.52%</b>

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

Los Altos School District  
 Required Supplementary Information  
 Schedule of Changes in Total OPEB Liability  
 June 30, 2018

	Fiscal Year Ended June 30, 2018
<b>Total OPEB liability</b>	
Service cost	\$ 497,104
Interest	522,442
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(1,046,760)
Benefit payments	(1,211,118)
Net change in Total OPEB Liability	(1,238,332)
Total OPEB Liability - beginning	19,883,879
Total OPEB Liability - ending	<u>\$ 18,645,547</u>
 <b>Plan fiduciary net position</b>	
Employer contributions	\$ -
Employer implicit subsidy	-
Employee contributions	-
Net investment income	-
Difference between estimated and actual earnings	-
Benefit payments	-
Other	-
Administrative expense	-
Net change in plan fiduciary net position	-
Plan fiduciary net position - beginning	-
Plan fiduciary net position - ending	<u>\$ -</u>
 Net OPEB liability	 \$ 18,645,547
 Plan fiduciary net position as a percentage of the total OPEB liability	  0.00%
 Covered employee payroll	 \$ 35,460,858
 Net OPEB Liability as a percentage of covered payroll	 52.58%
 Total OPEB Liability as a percentage of covered payroll	 52.58%

# Notes to the Required Supplementary Information

## Note 1. BUDGETARY COMPARISON SCHEDULE

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

## Note 2 SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

These schedules present information on the District's portion of the Net Pension Liability of CalSTRS and the Net Pension Liability of CalPERS in compliance with GASB 68.

## Note 3 SCHEDULES OF THE DISTRICT'S CONTRIBUTIONS

These schedules provide information about the District's required and actual contributions to CalSTRS and CalPERS.

## Note 4 SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY

This schedule presents information on the District's changes in total OPEB liability in compliance with GASB 75.

# Other Supplementary Information

**Los Altos School District**  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget to Actual (GAAP)  
 Building Fund  
 For the Fiscal Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		Actual (GAAP Basis)	Variance with Final Budget Positive - (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other local	\$ 307,460	\$ 312,460	\$ 324,070	\$ 11,610
Total revenues	<u>307,460</u>	<u>312,460</u>	<u>324,070</u>	<u>11,610</u>
Expenditures:				
Books and supplies	50,088	50,088	-	50,088
Services and other operating expenditures	527,465	1,127,965	478,830	649,135
Capital outlay	<u>140,000</u>	<u>310,000</u>	<u>62,964</u>	<u>247,036</u>
Total expenditures	<u>717,553</u>	<u>1,488,053</u>	<u>541,794</u>	<u>946,259</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(410,093)</u>	<u>(1,175,593)</u>	<u>(217,724)</u>	<u>957,869</u>
Other financing sources (uses):				
Transfers in	-	27,304	27,304	-
Transfers out	-	-	-	-
Proceeds from bond issuances	<u>-</u>	<u>-</u>	<u>2,500,000</u>	<u>2,500,000</u>
Total other financing sources (uses)	<u>-</u>	<u>27,304</u>	<u>2,527,304</u>	<u>2,500,000</u>
Net changes in fund balance	(410,093)	(1,148,289)	2,309,580	3,457,869
Fund balances beginning	<u>1,471,953</u>	<u>1,471,953</u>	<u>1,471,953</u>	<u>-</u>
Fund balances ending	<u>\$ 1,061,860</u>	<u>\$ 323,664</u>	<u>\$ 3,781,533</u>	<u>\$ 3,457,869</u>

**Los Altos School District**  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget to Actual (GAAP)  
 Capital Facilities Fund  
 For the Fiscal Year Ended June 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive - (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual (GAAP Basis)</u>	
Revenues:				
Other local	\$ 1,055,267	\$ 2,106,000	\$ 2,347,326	\$ 241,326
Total revenues	<u>1,055,267</u>	<u>2,106,000</u>	<u>2,347,326</u>	<u>241,326</u>
Expenditures:				
Books and supplies	62,702	27,702	-	27,702
Services and other operating expenditures	966,662	966,662	1,068,631	(101,969)
Capital outlay	6,284	126,284	121,026	5,258
Total expenditures	<u>1,035,648</u>	<u>1,120,648</u>	<u>1,189,657</u>	<u>(69,009)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>19,619</u>	<u>985,352</u>	<u>1,157,669</u>	<u>172,317</u>
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balance	19,619	985,352	1,157,669	172,317
Fund balances beginning	<u>2,349</u>	<u>2,349</u>	<u>2,349</u>	<u>-</u>
Fund balances ending	<u>\$ 21,968</u>	<u>\$ 987,701</u>	<u>\$ 1,160,018</u>	<u>\$ 172,317</u>

Los Altos School District  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2018

	Special Revenue Fund	Total Nonmajor Governmental Funds
	Deferred Maintenance Fund	
<b>Assets</b>		
Cash in county treasury	\$ 164,228	\$ 164,228
Accounts receivable	773	773
Total Assets	\$ 165,001	\$ 165,001
<b>Fund Balances</b>		
Assigned for site repairs	\$ 165,001	\$ 165,001
Total Fund Balances	\$ 165,001	\$ 165,001

**Los Altos School District**  
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Fiscal Year Ended June 30, 2018

	Special Revenue Fund	Total Nonmajor Governmental Funds
	Deferred Maintenance Fund	
Revenues:		
LCFF Sources	\$ 300,174	\$ 300,174
Other local	2,519	2,519
Total revenues	<u>302,693</u>	<u>302,693</u>
Expenditures:		
Current		
Plant services	<u>200,861</u>	<u>200,861</u>
Total expenditures	<u>200,861</u>	<u>200,861</u>
Excess (deficiency) of revenues over (under) expenditures	<u>101,832</u>	<u>101,832</u>
Net changes in fund balances	101,832	101,832
Fund balances beginning	<u>63,169</u>	<u>63,169</u>
Fund balances ending	<u>\$ 165,001</u>	<u>\$ 165,001</u>

**Los Altos School District**  
 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance  
 Nonmajor Governmental Funds  
 Budget and Actual (GAAP)  
 For the Fiscal Year Ended June 30, 2018

	Deferred Maintenance Fund		
	Budget	Actual	Variance Positive - (Negative)
Revenues:			
LCFF Sources	\$ 300,174	\$ 300,174	\$ -
Other local	1,000	2,519	1,519
Total revenues	<u>301,174</u>	<u>302,693</u>	<u>1,519</u>
Expenditures:			
Services and other operating expenditures	300,000	200,861	99,139
Total expenditures	<u>300,000</u>	<u>200,861</u>	<u>99,139</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,174</u>	<u>101,832</u>	<u>100,658</u>
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Changes in fund balances	1,174	101,832	100,658
Fund balances beginning	<u>63,169</u>	<u>63,169</u>	<u>-</u>
Fund balances ending	<u>\$ 64,343</u>	<u>\$ 165,001</u>	<u>\$ 100,658</u>

**Los Altos School District**  
 Statement of Changes in Assets and Liabilities  
 Fiduciary Funds  
 For the Fiscal Year Ended June 30, 2018

	Balance as of June 30, 2017	Additions	Deletions	Balance as of June 30, 2018
<b>Assets</b>				
Cash on hand and in banks				
Egan Junior High School	\$ 272,687	\$ 465,134	\$ 447,408	\$ 290,413
Blach Junior High School	83,660	491,385	491,274	83,771
Total cash on hand and in banks	<u>356,347</u>	<u>956,519</u>	<u>938,682</u>	<u>374,184</u>
Total Assets	<u>\$ 356,347</u>	<u>\$ 956,519</u>	<u>\$ 938,682</u>	<u>\$ 374,184</u>
<b>Liabilities</b>				
Due to student groups				
Egan Junior High School	\$ 272,687	\$ 465,134	\$ 447,408	\$ 290,413
Blach Junior High School	83,660	491,385	491,274	83,771
Total due to student groups	<u>356,347</u>	<u>956,519</u>	<u>938,682</u>	<u>374,184</u>
Total Liabilities	<u>\$ 356,347</u>	<u>\$ 956,519</u>	<u>\$ 938,682</u>	<u>\$ 374,184</u>

# Statistical Section

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## Statistical Section (Unaudited)

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The Statistical Section presents information useful in giving the reader an overall understanding of the school district as well as an historical perspective regarding financial information in this report. Unless noted otherwise, historical data is presented for the most recent ten-year period. The information in this section helps the reader better understand the overall financial health of the district.

### Financial Trends

These schedules contain trend information to help the reader understand how the district's financial performance and well-being have changed over time.

### Revenue Capacity

These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.

### Debt Capacity

These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.

### Economic and Demographic Information

These schedules offer economic and demographic indicators to help the reader understand the environment within which the district's financial activities take place.

### Operating Information

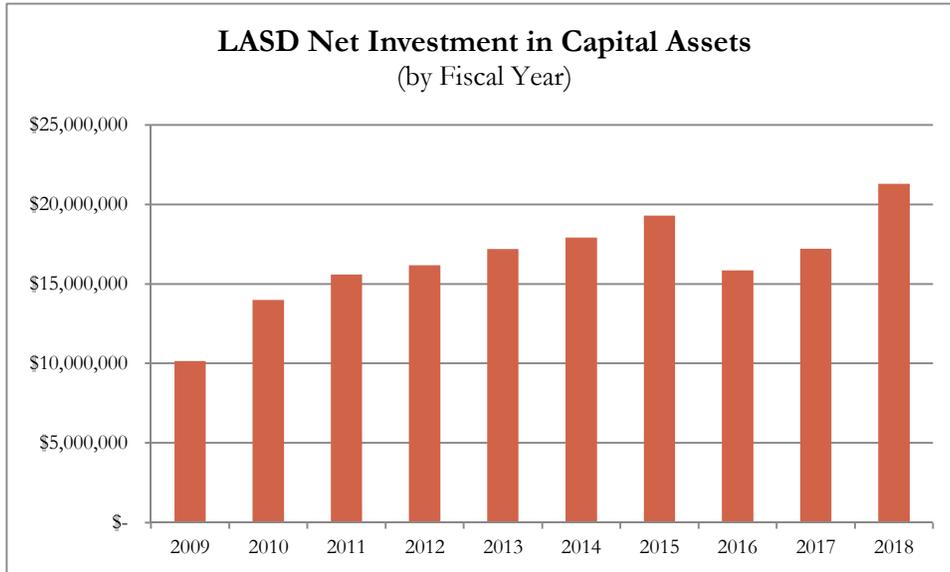
These schedules contain service and capital asset data to help the reader understand how the information in the financial report relates to the services the district provides and the activities it performs.

**Net Position by Component**

Fiscal Year	Net Investment in			
	Capital Assets	Restricted	Unrestricted	Total
2009	\$ 10,143,853	\$ 6,242,842	\$ 6,482,798	\$ 22,869,493
2010	14,009,604	7,156,505	4,805,344	25,971,453
2011	15,609,775	7,798,583	2,840,702	26,249,060
2012	16,185,607	8,341,730	5,115,506	29,642,843
2013	17,213,754	9,670,623	4,614,955	31,499,332
2014	17,929,874	9,555,936	5,418,899	32,904,709
2015	19,311,607	9,661,405	(42,676,897)	(13,703,885)
2016	15,857,752	8,650,893	(32,936,226)	(8,427,581)
2017	17,219,436	10,708,359	(34,197,366)	(6,269,571)
2018	21,302,335	15,597,003	(60,010,844)	(23,111,506)

*Note: The District's negative unrestricted net position resulted from the required implementation of GASB 68 in 2014-15 to record the District's share of net pension liabilities from the state's pension systems (STRS and PERS).*

*Source: Data extracted from District Financial Statements.*



	Change in Net Position									
	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
<b>Expenses</b>										
Governmental Activities										
Instruction	\$ 31,994,828	\$ 30,939,120	\$ 32,026,266	\$ 31,371,747	\$ 34,538,757	\$ 37,089,141	\$ 42,460,057	\$ 41,943,410	\$ 42,163,508	\$ 52,535,485
Instruction-related services	4,322,623	4,429,222	4,274,264	4,548,245	5,027,990	5,296,528	5,827,089	5,973,952	6,735,656	6,987,627
Pupil services	2,144,915	2,248,887	2,370,819	2,272,223	2,373,358	2,894,703	3,473,382	3,557,876	4,057,366	4,490,916
General administration	2,631,750	3,015,739	2,928,965	3,102,062	4,538,917	4,231,266	3,363,358	3,444,630	4,101,976	4,343,617
Plant services	4,801,128	4,832,257	5,214,914	4,917,999	5,570,161	6,267,501	7,252,941	7,481,528	8,634,495	8,594,969
Facilities acquisition and construction	-	-	-	-	-	-	-	-	-	-
Other educational programs	-	-	3,340	-	-	39,836	48,612	65,414	14,248	7,067
Interest and fiscal charges	4,706,547	4,499,114	5,743,858	6,082,101	6,173,670	6,115,387	6,161,083	4,118,938	5,007,437	3,458,455
Total Governmental Activities	<u>50,601,791</u>	<u>49,964,339</u>	<u>52,562,426</u>	<u>52,294,377</u>	<u>58,222,853</u>	<u>61,934,362</u>	<u>68,586,522</u>	<u>66,585,748</u>	<u>70,714,686</u>	<u>80,418,136</u>
Special Item - Bond Arbitrage										
Total Expenses	<u>50,601,791</u>	<u>49,964,339</u>	<u>52,562,426</u>	<u>52,294,377</u>	<u>58,222,853</u>	<u>61,934,362</u>	<u>68,586,522</u>	<u>66,585,748</u>	<u>70,714,686</u>	<u>80,418,136</u>
<b>Revenues</b>										
Program Revenues										
Charges for Services										
Pupil Services	1,587	531	565	1,752	-	-	-	-	-	-
Operating Grants and Contributions	5,414,423	4,970,086	4,946,391	4,068,933	5,146,749	5,644,639	5,479,170	6,395,658	6,002,866	7,278,355
Total Program Revenues	<u>5,416,010</u>	<u>4,970,617</u>	<u>4,946,956</u>	<u>4,070,685</u>	<u>5,146,749</u>	<u>5,644,639</u>	<u>5,479,170</u>	<u>6,395,658</u>	<u>6,002,866</u>	<u>7,278,355</u>
Net Revenue/(Expense)	<u>(45,185,781)</u>	<u>(44,993,722)</u>	<u>(47,615,470)</u>	<u>(48,223,692)</u>	<u>(53,076,104)</u>	<u>(56,289,723)</u>	<u>(63,107,352)</u>	<u>(60,190,090)</u>	<u>(64,711,820)</u>	<u>(73,139,781)</u>
General Revenues										
Property taxes	40,226,775	43,121,882	43,424,004	45,045,735	46,587,048	49,401,170	50,313,515	54,825,231	57,212,216	59,324,124
Grants and entitlements, unrestricted	2,785,203	1,739,376	560,790	1,410,300	2,143,635	3,042,298	2,649,964	4,869,613	3,410,102	3,595,525
Interest and investment earnings	429,949	165,935	160,518	49,473	36,907	117,682	100,612	148,538	1,310,060	1,405,666
Miscellaneous	3,358,359	3,068,489	3,747,765	5,111,967	6,165,003	5,636,497	6,634,821	5,623,012	4,937,452	7,348,151
Total General Revenues	<u>46,800,286</u>	<u>48,095,682</u>	<u>47,893,077</u>	<u>51,617,475</u>	<u>54,932,593</u>	<u>58,197,647</u>	<u>59,698,912</u>	<u>65,466,394</u>	<u>66,869,830</u>	<u>71,673,466</u>
Special Item - Loss on disposals										
Total General Revenues and special items										
Total Revenues	<u>\$ 52,216,296</u>	<u>\$ 53,066,299</u>	<u>\$ 52,840,033</u>	<u>\$ 55,688,160</u>	<u>\$ 60,079,342</u>	<u>\$ 63,842,286</u>	<u>\$ 65,178,082</u>	<u>\$ 71,862,052</u>	<u>\$ 72,872,696</u>	<u>\$ 78,951,821</u>
Prior Period Adjustment							(43,200,154)			
<b>Change in Net Position</b>	<u>\$ 1,614,505</u>	<u>\$ 3,101,960</u>	<u>\$ 277,607</u>	<u>\$ 3,393,783</u>	<u>\$ 1,856,489</u>	<u>\$ 1,907,924</u>	<u>\$ (46,608,594)</u>	<u>\$ 5,276,304</u>	<u>\$ 2,158,010</u>	<u>\$ (1,466,315)</u>

Source: Data extracted from District Financial Statements.

Note: The prior period adjustment in FY2015 resulted from the required implementation of GASB 68 in FY2015 to record the District's share of net pension liabilities from the state's pension systems (STRS and PERS).

Government-wide Expenses by Function, Total

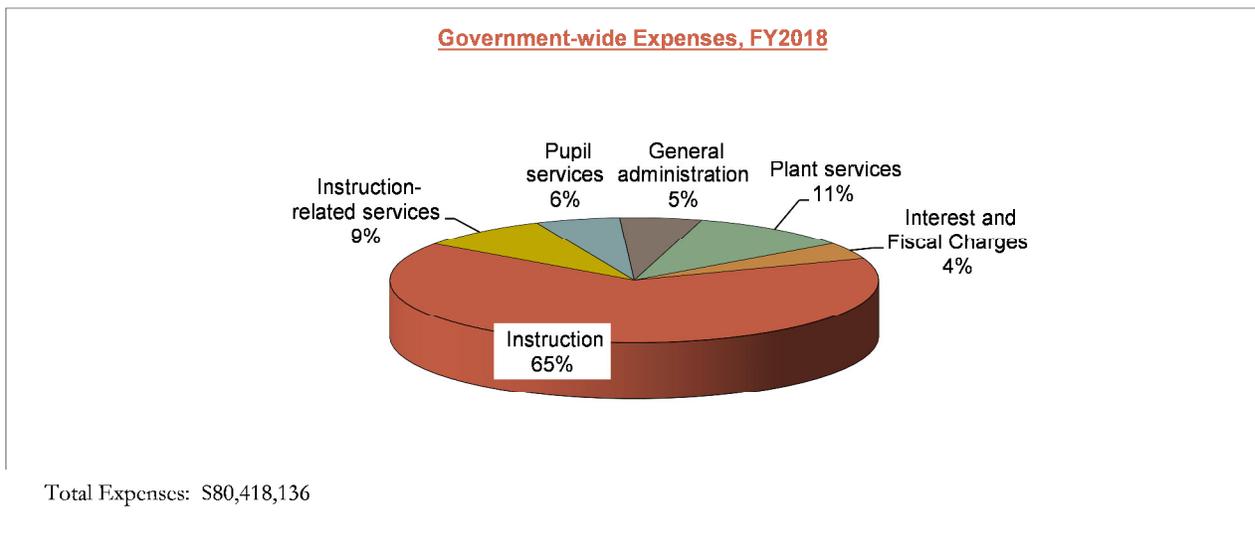
Fiscal Year	Enrollment	Instruction	Instruction-related services	Pupil services	General administration	Plant services	Other Educ. programs	Interest and Fiscal Charges	Total
2009	4,245	\$ 31,994,828	\$ 4,322,623	\$ 2,144,915	\$ 2,631,750	\$ 4,801,128	\$ -	\$ 4,706,547	\$ 50,601,791
2010	4,287	30,939,120	4,429,222	2,248,887	3,015,739	4,832,257	-	4,499,114	49,964,339
2011	4,384	32,026,266	4,274,264	2,370,819	2,928,965	5,214,914	3,340	5,743,858	52,562,426
2012	4,477	31,371,747	4,548,245	2,272,223	3,102,062	4,917,999	-	6,082,101	52,294,377
2013	4,495	34,538,757	5,027,990	2,373,358	4,538,917	5,570,161	-	6,173,670	58,222,853
2014	4,543	37,089,141	5,296,528	2,894,703	4,231,266	6,267,501	39,836	6,115,387	61,934,362
2015	4,670	42,460,057	5,827,089	3,473,382	3,363,358	7,252,941	48,612	6,161,083	68,586,522
2016	4,636	41,943,410	5,973,952	3,557,876	3,444,630	7,481,528	65,414	4,118,938	66,585,748
2017	4,522	42,163,508	6,735,656	4,057,366	4,101,976	8,634,495	14,248	5,007,437	70,714,686
2018	4,400	52,535,485	6,987,627	4,490,916	4,343,617	8,594,969	7,067	3,458,455	80,418,136

Source: District records.

Government-wide Expenses by Function, Per Student

Fiscal Year	Enrollment	Instruction	Instruction-related services	Pupil services	General administration	Plant services	Other Educ. programs	Interest and Fiscal Charges	Total
2009	4,245	\$ 7,537	\$ 1,018	\$ 505	\$ 620	\$ 1,131	\$ -	\$ 1,109	\$ 11,920
2010	4,287	7,217	1,033	525	703	1,127	-	1,049	11,655
2011	4,384	7,305	975	541	668	1,190	1	1,310	11,990
2012	4,477	7,007	1,016	508	693	1,099	-	1,359	11,681
2013	4,495	7,684	1,119	528	1,010	1,239	-	1,373	12,953
2014	4,543	8,164	1,166	637	931	1,380	9	1,346	13,633
2015	4,670	9,092	1,248	744	720	1,553	10	1,319	14,687
2016	4,636	9,047	1,289	767	743	1,614	14	888	14,363
2017	4,522	9,324	1,490	897	907	1,909	3	1,107	15,638
2018	4,400	11,940	1,588	1,021	987	1,953	2	786	18,277

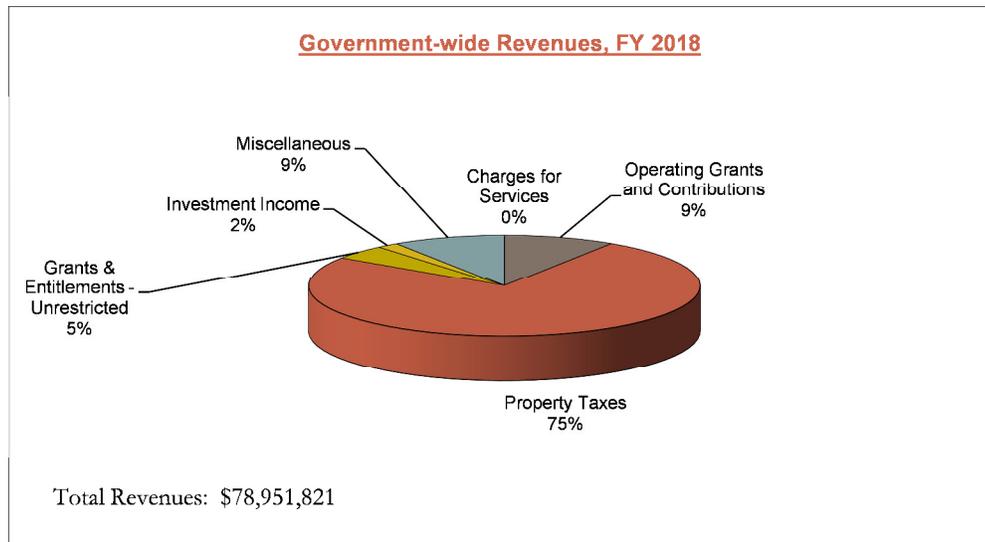
Source: District records.



**Government-wide Revenues**

Fiscal Year	Program Revenues		General Revenues				Total
	Charges for Services	Operating Grants and Contributions	Property Taxes	Grants & Entitlements - Unrestricted	Investment Income	Miscellaneous <sup>(1)</sup>	
2009	\$ 1,587	\$ 5,414,423	\$ 40,226,775	\$ 2,785,203	\$ 429,949	\$ 3,358,359	\$ 52,216,296
2010	531	4,970,086	43,121,882	1,739,376	165,935	3,068,489	53,066,299
2011	565	4,946,391	43,424,004	560,790	160,518	3,747,765	52,840,033
2012	1,752	4,068,933	45,045,735	1,410,300	49,473	5,111,967	55,688,160
2013	-	5,146,749	46,587,048	2,143,635	36,907	6,165,003	60,079,342
2014	-	5,644,639	49,401,170	3,042,298	117,682	5,636,497	63,842,286
2015	-	5,479,170	50,313,515	2,649,964	100,612	6,634,821	65,178,082
2016	-	6,395,658	54,825,231	4,869,613	148,538	5,623,012	71,862,052
2017	-	6,002,866	57,212,216	3,410,102	1,310,060	4,937,452	72,872,696
2018	-	7,278,355	59,324,124	3,595,525	1,405,666	7,348,151	78,951,821

Source: District records.



General District Revenues by Source

Fiscal Year	LCFF/Revenue Limit Sources	Federal	Other State	Other Local	Other Financing Sources	Operating Transfers In	Total Revenues
2009	\$ 25,299,763	\$ 1,075,398	\$ 4,406,477	\$ 12,915,695	\$ -	\$ -	\$ 43,697,333
2010	26,275,514	1,932,612	2,567,382	12,607,715	-	275,848	43,659,071
2011	25,458,478	1,783,741	2,115,088	13,746,462	-	1,364,462	44,468,231
2012	26,170,118	1,005,829	1,638,884	16,478,041	-	296,030	45,588,902
2013	28,210,728	1,051,413	1,648,022	17,934,018	-	728,553	49,572,735
2014	31,459,840	934,871	2,952,235	17,499,013	-	3,010,738	55,856,696
2015	31,730,727	1,003,227	1,494,816	18,184,092	-	258,372	52,671,234
2016	36,138,756	1,024,458	5,864,691	17,361,704	-	232,405	60,622,014
2017	37,978,938	1,105,381	3,796,451	17,015,519	-	82,010	59,978,300
2018	40,322,074	1,102,424	4,966,563	17,919,949	-	2,201,217	66,512,228

Funds included are General Fund and Special Revenue Funds.

Source: District records.

General District Expenditures & Other Uses by Object

Fiscal Year	Certificated Salaries	Classified Salaries	Employee Benefits	Books & Supplies	Services & Other Oper. Exp.	Capital Outlay	Debt Service	Other Outgo	Operating Transfers Out	Total Expenditures & Other Uses
2009	\$ 20,706,572	\$ 6,360,244	\$ 8,650,400	\$ 1,508,458	\$ 4,263,747	\$ 288,858	\$ 268,821	\$ -	\$ -	\$ 42,047,100
2010	20,146,577	6,247,351	8,442,562	1,818,732	4,745,088	229,941	332,803	-	275,848	42,238,902
2011	19,854,449	6,678,388	9,302,308	1,626,460	4,859,402	282,527	332,803	3,340	1,364,462	44,304,139
2012	19,793,946	6,407,793	9,412,924	1,745,635	4,825,270	202,185	332,803	-	296,030	43,016,585
2013	20,883,829	6,811,312	9,476,020	2,633,136	6,754,968	472,720	332,803	-	1,670,233	49,035,021
2014	23,132,798	7,235,259	9,930,036	2,628,155	7,018,003	275,412	332,803	39,836	3,656,938	54,249,238
2015	24,731,255	8,138,710	11,211,089	3,410,006	6,522,002	387,377	332,803	48,612	3,027,578	57,809,432
2016	24,846,783	8,307,382	13,444,409	2,486,192	6,954,484	403,518	332,803	65,414	1,557,405	58,398,390
2017	26,381,279	9,079,579	14,212,535	2,575,703	8,358,040	367,158	332,803	14,248	356,077	61,677,421
2018	27,457,334	9,967,796	15,915,618	2,829,074	9,394,738	138,154	332,803	7,067	2,228,521	68,271,106

Funds included are General Fund and Special Revenue Funds.

Source: District records.

General District Expenditures by Function

Fiscal Year	Instruction	Instruction-related services	Pupil services	General administration	Plant services	Other Educ. Programs	Total
2009	\$ 28,789,890	\$ 3,917,608	\$ 2,143,165	\$ 2,571,419	\$ 4,103,506	\$ 521,512	\$ 42,047,100
2010	28,001,455	4,018,356	2,246,602	2,957,361	4,227,636	511,642	41,963,052
2011	28,816,638	3,863,397	2,368,534	2,869,932	4,525,211	495,965	42,939,677
2012	28,756,222	4,143,081	2,270,039	3,041,672	4,125,021	384,520	42,720,555
2013	30,697,145	4,639,631	2,371,174	4,479,175	4,727,200	450,463	47,364,788
2014	32,812,101	4,915,417	2,892,842	4,170,432	5,324,123	477,384	50,592,300
2015	36,111,389	5,451,992	3,471,903	3,302,912	5,982,527	461,132	54,781,854
2016	37,339,437	5,599,987	3,556,402	3,384,366	6,357,960	602,834	56,840,985
2017	38,840,666	6,365,007	4,055,907	4,042,247	7,452,501	565,017	61,321,344
2018	42,164,705	6,602,363	4,489,476	4,284,711	7,565,042	936,288	66,042,584

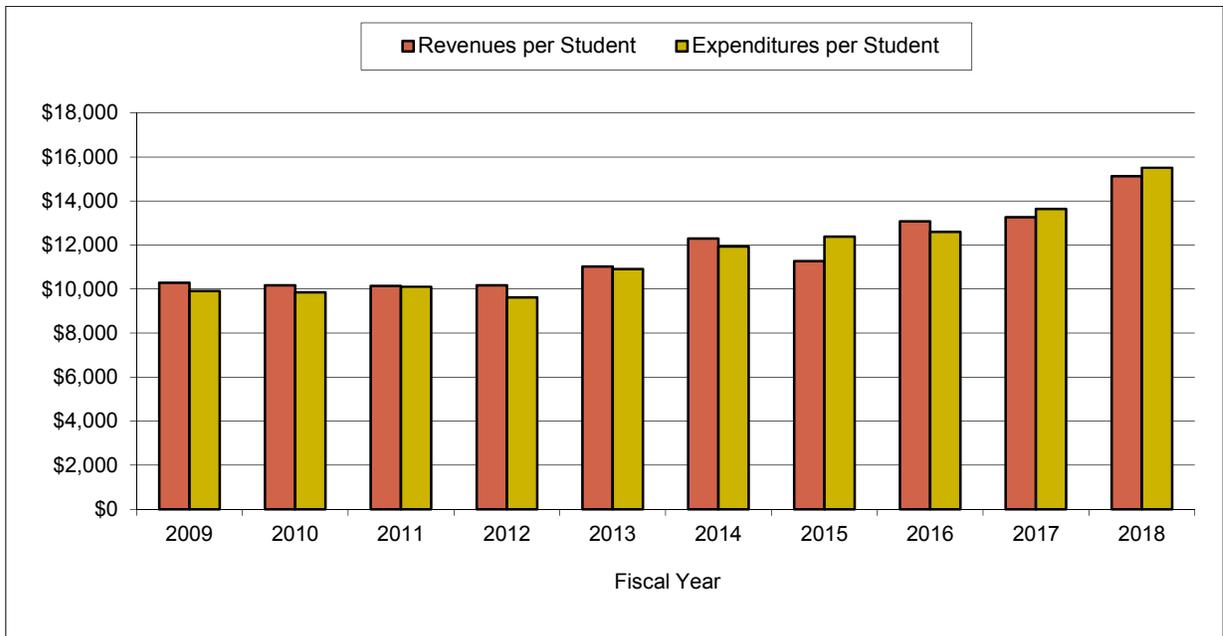
Source: District records.

**General District Revenues and Expenditures, per Student**

Fiscal Year	Total Revenues	Total Expenditures	Enrollment	Revenues per Student	Expenditures per Student
2009	\$ 43,697,333	\$ 42,047,100	4,245	\$ 10,294	\$ 9,905
2010	43,659,071	42,238,902	4,287	10,184	9,853
2011	44,468,231	44,304,139	4,384	10,143	10,106
2012	45,588,902	43,016,585	4,477	10,183	9,608
2013	49,572,735	49,035,021	4,495	11,028	10,909
2014	55,856,696	54,249,238	4,543	12,295	11,941
2015	52,671,234	57,809,432	4,670	11,279	12,379
2016	60,622,014	58,398,390	4,636	13,076	12,597
2017	59,978,300	61,677,421	4,522	13,264	13,639
2018	66,512,228	68,271,106	4,400	15,116	15,516

Funds included are General Fund and Special Revenue Funds. Expenditures include Operating Transfers Out.

Source: District records.



Fund Balances, Governmental Funds

General Fund								
Fiscal Year	Reserved	Unreserved	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total
2009	\$ 2,471,979	\$ 3,099,496	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,571,475
2010	2,108,555	5,071,193	-	-	-	-	-	7,179,748
2011	-	-	5,274	151,485	-	1,797,472	5,435,873	7,390,105
2012	-	-	5,274	234,730	-	2,512,277	7,034,726	9,787,007
2013	-	-	5,000	621,845	-	2,263,956	7,361,995	10,252,796
2014	-	-	5,000	938,055	-	6,147,551	4,907,962	11,998,568
2015	-	-	5,000	369,600	-	5,703,756	855,785	6,934,141
2016	-	-	5,000	370,396	-	3,504,965	5,373,125	9,253,486
2017	-	-	5,000	241,499	-	3,421,932	3,957,816	7,626,247
2018	-	-	5,000	848,850	-	3,446,859	974,913	5,275,622

All Other Governmental Funds								
Fiscal Year	Reserved	Unreserved	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total
2009	\$ 5,972,360	\$ 488,580	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,460,940
2010	6,274,946	1,044,590	-	-	-	-	-	7,319,536
2011	-	-	-	6,932,467	-	714,631	242,494	7,889,592
2012	-	-	-	7,392,509	-	1,132,399	-	8,524,907
2013	-	-	-	7,780,642	-	1,757,969	-	9,538,611
2014	-	-	-	8,113,485	-	855,917	-	8,969,402
2015	-	-	-	8,827,008	-	695,569	-	9,522,577
2016	-	-	-	9,254,967	-	1,459,396	-	10,714,363
2017	-	-	-	10,083,203	-	1,495,136	-	11,578,339
2018	-	-	-	10,740,395	-	5,064,217	-	15,804,612

Total, All Governmental Funds								
Fiscal Year	Reserved	Unreserved	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total
2009	\$ 8,444,339	\$ 3,588,076	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,032,415
2010	8,383,501	6,115,783	-	-	-	-	-	14,499,284
2011	-	-	5,274	7,083,952	-	2,512,103	5,678,367	15,279,697
2012	-	-	5,274	7,627,239	-	3,644,676	7,034,726	18,311,915
2013	-	-	5,000	8,402,487	-	4,021,925	7,361,995	19,791,407
2014	-	-	5,000	9,051,540	-	7,003,468	4,907,962	20,967,970
2015	-	-	5,000	9,196,608	-	6,399,326	855,785	16,456,719
2016	-	-	5,000	9,625,363	-	4,964,360	5,373,125	19,967,849
2017	-	-	5,000	10,324,701	-	4,917,068	3,957,816	19,204,585
2018	-	-	5,000	11,589,245	-	8,511,076	974,913	21,080,234

Note: GASB 54 requirements for fund balance reporting changed as of fiscal year 2011.

Source: District records.

**Changes in Fund Balances, Governmental Funds**

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
<b>Revenues:</b>										
LCFF/Revenue limit sources	\$ 25,299,763	\$ 26,275,514	\$ 25,458,478	\$ 26,170,118	\$ 28,210,728	\$ 31,459,840	\$ 31,730,727	\$ 36,138,756	\$ 37,978,939	\$ 39,832,161
Federal	1,075,398	1,932,612	1,783,741	1,005,829	1,051,413	934,871	1,003,227	1,024,458	1,105,381	1,102,424
Other state	4,445,265	3,503,288	2,626,630	1,681,572	1,689,287	2,989,557	1,531,224	5,897,833	3,828,374	4,996,769
Other local	21,448,447	21,407,462	23,023,763	26,883,217	29,180,490	28,412,857	30,867,318	28,755,419	28,801,091	31,871,406
<b>Total revenues</b>	<b>52,268,873</b>	<b>53,118,876</b>	<b>52,892,612</b>	<b>55,740,736</b>	<b>60,131,918</b>	<b>63,797,125</b>	<b>65,132,496</b>	<b>71,816,466</b>	<b>71,713,785</b>	<b>77,802,760</b>
<b>Expenditures:</b>										
Instruction	28,715,203	28,001,455	28,816,637	28,756,222	30,697,146	32,812,101	36,111,389	37,339,440	38,840,664	42,164,706
Instruction-related services:										
Supervision of instruction	1,074,403	1,262,974	1,157,483	1,100,846	1,375,094	1,467,127	1,764,214	1,768,590	2,284,013	2,336,569
Instruction library, media and technology	399,804	311,464	326,008	535,255	774,439	817,044	848,179	883,708	982,592	1,027,454
School site administration	2,443,401	2,443,918	2,379,907	2,506,981	2,490,098	2,631,247	2,839,598	2,947,689	3,098,401	3,238,340
Pupil services:										
Home-to-school transportation	323,729	273,193	256,647	266,025	315,975	265,069	215,363	235,368	468,061	496,399
Food services	87,929	98,674	110,721	5,880	55,695	77,609	99,186	99,901	107,072	145,100
All other pupil services	1,731,507	1,874,735	2,001,166	1,998,134	1,999,504	2,550,163	3,157,355	3,221,133	3,480,773	3,847,977
General administration:										
Data processing	363,357	361,469	489,844	405,451	576,749	534,630	578,587	676,174	851,172	763,437
All other general administration	2,208,063	2,595,892	2,380,088	2,636,221	3,902,426	3,635,802	2,724,325	2,708,192	3,191,075	3,521,274
Plant services	4,680,449	4,705,061	5,086,314	4,787,199	5,433,834	6,130,881	7,119,139	7,348,130	8,502,280	8,484,301
Facilities acquisition and construction	3,742,556	576,096	541,464	676,074	1,594,503	2,027,138	4,265,100	5,562,598	2,593,113	795,691
Other educational programs	-	-	3,340	-	-	39,836	48,612	65,414	14,248	7,067
Debt service:										
Principal	3,126,136	3,677,690	4,299,336	3,211,822	3,356,525	3,723,688	3,814,086	4,146,457	7,306,516	8,395,760
Interest, fees and issuance costs	4,685,998	4,469,387	4,263,245	5,822,407	6,372,081	5,908,227	6,011,639	6,302,541	3,488,827	3,203,036
<b>Total expenditures</b>	<b>53,582,535</b>	<b>50,652,008</b>	<b>52,112,200</b>	<b>52,708,517</b>	<b>58,944,069</b>	<b>62,620,562</b>	<b>69,596,772</b>	<b>73,305,335</b>	<b>75,208,807</b>	<b>78,427,111</b>
Excess (deficiency) of revenues over (under) expenditures	(1,313,662)	2,466,868	780,412	3,032,219	1,187,849	1,176,563	(4,464,276)	(1,488,869)	(3,495,022)	(624,351)
<b>Other financing sources (uses):</b>										
Proceeds from bond issuances	-	-	-	-	30,559,345	-	-	5,000,000	38,881,758	-
Defeasance of general obligation bonds	-	-	-	-	(30,267,702)	-	-	-	(36,150,000)	-
Bond premium	-	-	-	-	-	-	-	-	-	-
Proceeds from lease-leaseback transaction	2,025,000	-	-	-	-	-	-	-	-	-
All other financing sources (uses)	-	-	-	-	-	-	-	-	-	2,500,000
<b>Total other financing sources (uses)</b>	<b>2,025,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>291,643</b>	<b>-</b>	<b>-</b>	<b>5,000,000</b>	<b>2,731,758</b>	<b>2,500,000</b>
<b>Net changes in fund balances</b>	<b>711,338</b>	<b>2,466,868</b>	<b>780,412</b>	<b>3,032,219</b>	<b>1,479,492</b>	<b>1,176,563</b>	<b>(4,464,276)</b>	<b>3,511,131</b>	<b>(763,264)</b>	<b>1,875,649</b>
Fund balances beginning	11,321,078	12,032,416	14,499,284	15,279,696	18,311,915	19,791,407	20,967,970	16,456,718	19,967,849	19,204,585
Prior Period Adjustment							(46,976)			
Fund balances beginning, as adjusted							20,920,994	16,456,718	19,967,849	19,204,585
<b>Fund balances ending</b>	<b>\$ 12,032,416</b>	<b>\$ 14,499,284</b>	<b>\$ 15,279,696</b>	<b>\$ 18,311,915</b>	<b>\$ 19,791,407</b>	<b>\$ 20,967,970</b>	<b>\$ 16,456,718</b>	<b>\$ 19,967,849</b>	<b>\$ 19,204,585</b>	<b>\$ 21,080,234</b>
<b>Debt service as a % of non-capital expenditures</b>										
	15.4%	16.1%	16.5%	17.2%	16.6%	15.4%	14.2%	14.3%	14.4%	14.8%

Source: Data extracted from District Financial Statements.

Total Debt Service (from above)	7,812,134	8,147,077	8,562,581	9,034,229	9,728,606	9,631,915	9,825,725	10,448,998	10,795,343	11,598,796
Total Expenditures (from above)	53,582,535	50,652,008	52,112,200	52,708,517	58,944,069	62,620,562	69,596,772	73,305,335	75,208,807	78,427,111
less, Capital Expenditures <sup>1</sup>	2,833,692	117,620	156,551	172,633	442,903	132,810	178,557	18,388	-	5,396
<b>Total Non-capital Expenditures</b>	<b>50,748,843</b>	<b>50,534,388</b>	<b>51,955,649</b>	<b>52,535,884</b>	<b>58,501,166</b>	<b>62,487,752</b>	<b>69,418,215</b>	<b>73,286,947</b>	<b>75,208,807</b>	<b>78,421,715</b>

<sup>1</sup> Capital expenditures reflect "expenditures for capital asset additions" as shown in the Reconciliation of the Governmental Funds Statement of Revenues and Expenditures and Changes in Fund Balances to the Statement of Activities.

**Revenue Base: Assessed Valuation (AV) and Property Tax Collections  
(Dollars in Millions)**

Fiscal Year	Residential Property	Commercial Property	Total Net Secured	Utilities	Total Net Unsecured	Total Net (Taxable) AV	Weighted Average Tax Rate per \$100 AV <sup>(1)</sup>	Total Property Tax Collections
2009	\$12,340.22	\$1,133.62	\$13,473.84	\$0.00	\$153.26	\$13,627.10	0.1931	\$26.32
2010	\$12,851.07	\$1,163.18	\$14,014.25	\$0.00	\$162.75	\$14,177.00	0.1896	\$26.88
2011	\$12,730.15	\$1,134.01	\$13,864.16	\$0.00	\$151.53	\$14,015.69	0.1879	\$26.34
2012	\$13,226.58	\$1,102.81	\$14,329.39	\$0.00	\$136.88	\$14,466.27	0.1883	\$27.23
2013	\$13,896.49	\$1,180.09	\$15,076.58	\$0.00	\$129.07	\$15,205.65	0.1898	\$28.85
2014	\$15,181.88	\$1,314.57	\$16,496.45	\$0.00	\$145.01	\$16,641.46	0.1897	\$31.56
2015	\$16,214.37	\$1,439.11	\$17,653.47	\$0.00	\$162.81	\$17,816.28	0.1918	\$34.18
2016	\$17,612.27	\$1,605.22	\$19,217.49	\$0.00	\$175.23	\$19,392.73	0.1929	\$37.40
2017	\$18,933.20	\$1,700.00	\$20,633.20	\$0.00	\$128.38	\$20,761.58	0.1917	\$39.81
2018	\$20,284.12	\$1,954.57	\$22,238.69	\$0.00	\$135.92	\$22,374.61	0.1911	\$42.77

<sup>(1)</sup> General purpose tax rate only; excludes tax rate to retire bonded indebtedness.

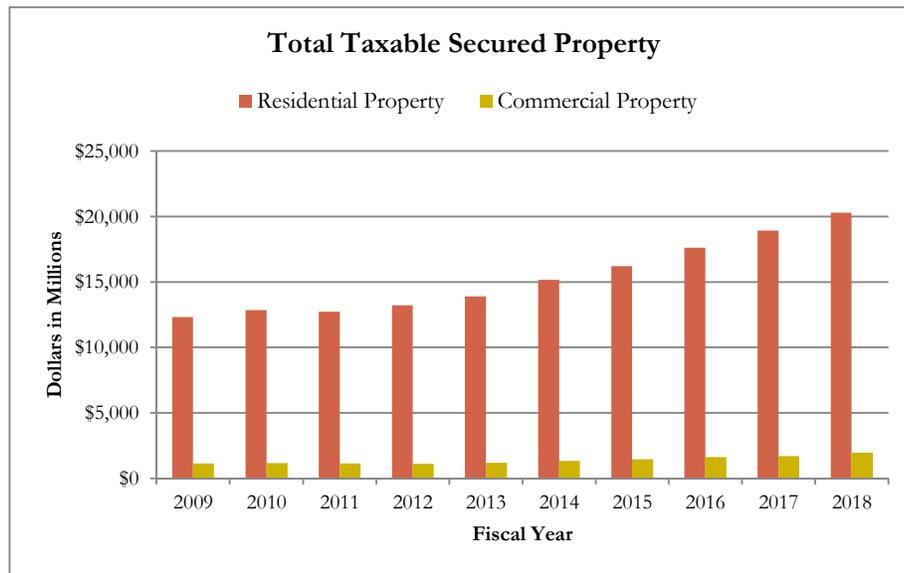
Per California law all properties are taxed at 1% of AV.

A portion of these tax proceeds goes to schools; that proportion differs from one tax rate area to another.

There are 40 different tax rate areas within Los Altos School District.

**Note: Under the Teeter Plan (an alternate method of apportioning tax revenues to school districts), Santa Clara County distributes 100% of the general purpose taxes levied to its districts each year.**

Source: Santa Clara County Controller; Santa Clara County Assessor



Revenue Base: Property Tax Rates, All Direct and Overlapping Governments

	2008/09	2009/10	2010/11	2011/12	2012/13
<b>County-wide Rate <sup>(a)</sup></b>	<b>1.0000%</b>	1.0000%	1.0000%	<b>1.0000%</b>	<b>1.0000%</b>
County Retirement Levy	0.0388%	0.0388%	0.0388%	0.0388%	0.0388%
County Library Retirement	0.0024%	0.0024%	0.0024%	0.0024%	0.0024%
County Hospital Bonds	n/a	n/a	0.0095%	0.0047%	0.0051%
County Housing Bonds	n/a	n/a	n/a	n/a	n/a
<b>Los Altos Elementary 1998/2014</b>	<b>0.0526%</b>	0.0539%	0.0600%	<b>0.0595%</b>	<b>0.0579%</b>
Mid-Peninsula Regional Open Space 2014	n/a	n/a	n/a	n/a	n/a
El Camino Hospital District	0.0129%	0.0129%	0.0129%	0.0129%	0.0129%
Foothill-De Anza Coll. 1999	0.0123%	0.0322%	0.0326%	0.0297%	0.0287%
MV-Los Altos High Bonds 1995/2010	0.0148%	0.0147%	0.0151%	0.0147%	0.0139%
SCVWD-State Water Project	0.0059%	0.0071%	0.0070%	0.0063%	0.0069%
SCVWD-Zone W-1 Bond	0.0002%	0.0003%	0.0002%	0.0001%	0.0000%
<b>TOTAL</b>	<b>1.1399%</b>	<b>1.1623%</b>	<b>1.1785%</b>	<b>1.1691%</b>	<b>1.1666%</b>

	2013/14	2014/15	2015/16	2016/17	2017/18
<b>County-wide Rate <sup>(a)</sup></b>	<b>1.0000%</b>	<b>1.0000%</b>	<b>1.0000%</b>	<b>1.0000%</b>	<b>1.0000%</b>
County Retirement Levy	0.0388%	0.0388%	0.0388%	0.0388%	0.0388%
County Library Retirement	0.0024%	0.0024%	0.0024%	0.0024%	0.0024%
County Hospital Bonds	0.0035%	0.0091%	0.0088%	0.0086%	0.0082%
County Housing Bonds	n/a	n/a	n/a	n/a	0.0127%
<b>Los Altos Elementary 1998/2014</b>	<b>0.0534%</b>	<b>0.0524%</b>	<b>0.0485%</b>	<b>0.0479%</b>	<b>0.0463%</b>
Mid-Peninsula Regional Open Space 2014	n/a	n/a	0.0008%	0.0006%	0.0009%
El Camino Hospital District	0.0129%	0.0129%	0.0129%	0.0129%	0.0100%
Foothill-De Anza Coll. 1999	0.0290%	0.0276%	0.0240%	0.0234%	0.0220%
MV-Los Altos High Bonds 1995/2010	0.0121%	0.0133%	0.0119%	0.0112%	0.0107%
SCVWD-State Water Project	0.0070%	0.0065%	0.0057%	0.0086%	0.0062%
SCVWD-Zone W-1 Bond	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
<b>TOTAL</b>	<b>1.1591%</b>	<b>1.1630%</b>	<b>1.1538%</b>	<b>1.1544%</b>	<b>1.1582%</b>

(a) Maximum rate for purposes other than paying debt service in accordance with Article XIII A of the State Constitution. Only a portion of this rate applies to the district.

Source: County of Santa Clara Auditor-Controller's Office (Typical Tax Rate per \$100 Assessed Valuation TRA 11-001).

<b>Data Extracted From Above</b>					
The Los Altos School District's share of the county-wide general purpose 1% secured tax rate is based on historical formulas and can vary slightly from year to year. <b>For purposes of this table we show the weighted average tax rate for all 40 tax rate areas within the district.</b> Tax rates for the ten year period directly applicable to Los Altos School District include its share of the general purpose tax rate and the special purpose bond rate (used to retire debt on the "Los Altos Elementary 1998" general obligation bonds).					
	2008/09	2009/10	2010/11	2011/12	2012/13
Los Altos School District, General Purpose	0.1931%	0.1896%	0.1879%	0.1883%	0.1898%
<u>Los Altos School District, 1998 Bonds</u>	<u>0.0526%</u>	<u>0.0539%</u>	<u>0.0600%</u>	<u>0.0595%</u>	<u>0.0579%</u>
Total	0.2457%	0.2435%	0.2479%	0.2478%	0.2477%
	2013/14	2014/15	2015/16	2016/17	2017/18
Los Altos School District, General Purpose	0.1897%	0.1918%	0.1929%	0.1917%	0.1911%
<u>Los Altos School District, 1998 Bonds</u>	<u>0.0534%</u>	<u>0.0524%</u>	<u>0.0485%</u>	<u>0.0479%</u>	<u>0.0463%</u>
Total	0.2431%	0.2442%	0.2414%	0.2396%	0.2374%

**Principal Local Secured Taxpayers**  
2017-18 compared to nine years earlier

Rank	Property Owner	Land Use	2017-18 Assessed Value	Pct of Total <sup>1</sup>	2008-09 Assessed Value	Pct of Total <sup>1</sup>	Rank
1	MGP IX CP Venture LLC	Apartments	\$ 157,643,553	0.71%			
2	MGP IX Sac II Properties LLC	Shopping Center	137,133,946	0.62%			
3	MV Domus Apartments LLC	Apartments	131,029,207	0.59%			
4	4740 ECR Los Altos LLC	Apartments	86,779,819	0.39%			
5	Lucile Salter Packard Children’s Hospital	Office Building	85,492,315	0.38%			
6	BP West El Camino LLC	Office Building	84,576,200	0.38%	47,583,000	0.35%	2
7	San Antonio Apartments	Apartments	69,564,282	0.31%			
8	RLJ Los Altos LP	Shopping Center	65,906,770	0.30%			
9	Avalonbay Communities, Inc.	Apartments	63,292,137	0.28%	55,248,256	0.41%	1
10	Los Altos Gardens I & II LP	Apartments	54,402,179	0.24%	22,854,272	0.17%	7
11	St. Paul Fire & Marine Insurance Company	Office Building	50,929,952	0.23%			
12	LaPaloma Property LLC	Residential	48,871,913	0.22%			
13	MGP IX Properties LLC	Shopping Center	45,236,111	0.20%			
14	Palo Alto Bowl LLC	Hotel	41,825,475	0.19%	15,147,000	0.11%	19
15	Richard T. Spieker, Trustee	Apartments	38,606,240	0.17%			
16	SHP-Latham LLC	Office Building	34,017,000	0.15%			
17	SI 29 LLC	Office Building	33,117,198	0.15%			
18	Los Altos Golf and Country Club	Country Club	31,439,689	0.14%			
19	Douglas M. Leone, Trustee	Residential	27,581,104	0.12%			
20	Safeway Inc.	Supermarket	27,228,175	0.12%			
	Behringer Harvard El Camino Real LP	Office Building			39,525,000	0.29%	3
	San Antonio Center LLC	Shopping Center			35,005,284	0.26%	4
	West Fremont Office Corp	Office Building			32,385,000	0.24%	5
	David and Lucile Packard Foundation	Office Building			23,728,423	0.18%	6
	Jack Dymond Associates	Office Building			21,510,834	0.16%	8
	Wilfred J. and Sigrun Corrigan	Residential			21,370,094	0.16%	9
	Pacific Retail Master LP	Shopping Center			21,268,759	0.16%	10
	Compass Grand Associates LLC	Shopping Center			20,884,267	0.15%	11
	Sobrato Development Co., #792	Office Building			18,617,831	0.14%	12
	William N. Carrico	Residential			18,401,346	0.14%	13
	4 Seasons Associates LLC	Hotel			18,018,077	0.13%	14
	KRC Los Altos LP	Assisted Living Facility			17,455,117	0.13%	15
	Diane M. Santos	Shopping Center			17,121,279	0.13%	16
	Los Altos Hotel Associates LLC	Office Building			16,207,392	0.12%	17
	Charles F. Perrell	Residential			15,170,558	0.11%	18
	Book LLC	Undeveloped			15,096,000	0.11%	20
			<b>1,314,673,265</b>	<b>5.91%</b>	<b>492,597,789</b>	<b>3.66%</b>	

<sup>1</sup> 2017-18 Local Secured Assessed Valuation: \$22,238,694,016

<sup>1</sup> 2008-09 Local Secured AV: \$13,473,828,710

Source: California Municipal Statistics, Inc.

Property Tax Levies and Collections

General Purpose Levy

Fiscal Year	Taxes Levied (a)	Amount Collected as of June 30	% Collected as of June 30	Amount Collected in Subsequent Years	Total Amount Collected	Total Collected as % of Total Levy
2009	26,318,414	26,318,414	100.00%	-	26,318,414	100.00%
2010	26,875,522	26,875,522	100.00%	-	26,875,522	100.00%
2011	26,340,708	26,340,708	100.00%	-	26,340,708	100.00%
2012	27,234,353	27,234,353	100.00%	-	27,234,353	100.00%
2013	28,854,897	28,854,897	100.00%	-	28,854,897	100.00%
2014	31,564,315	31,564,315	100.00%	-	31,564,315	100.00%
2015	34,178,091	34,178,091	100.00%	-	34,178,091	100.00%
2016	37,402,066	37,402,066	100.00%	-	37,402,066	100.00%
2017	39,808,468	39,808,468	100.00%	-	39,808,468	100.00%
2018	42,650,198	42,650,198	100.00%	-	42,650,198	100.00%

(a) Under the Teeter Plan (an alternate method of apportioning tax revenues to school districts), Santa Clara County distributes 100% of the general purpose taxes levied to its districts each year.

Debt Service Levy

Fiscal Year	Taxes Levied	Amount Collected as of June 30	% Collected as of June 30	Amount Collected in Subsequent Years <sup>(1)</sup>	Total Amount Collected	Total Collected as % of Total Levy
2009	7,003,562	6,903,830	98.58%	-	6,903,830	98.58%
2010	7,450,153	7,357,174	98.75%	-	7,357,174	98.75%
2011	8,254,953	8,179,868	99.09%	-	8,179,868	99.09%
2012	8,433,408	8,378,415	99.35%	-	8,378,415	99.35%
2013	8,673,342	8,625,071	99.44%	-	8,625,071	99.44%
2014	8,801,948	8,748,831	99.40%	-	8,748,831	99.40%
2015	9,265,994	9,205,241	99.34%	-	9,205,241	99.34%
2016	9,276,321	9,238,525	99.59%	-	9,238,525	99.59%
2017	9,869,230	9,794,114	99.24%	-	9,794,114	99.24%
2018	10,186,224	10,151,825	99.66%	-	10,151,825	99.66%

Total, All Levies

Fiscal Year	Taxes Levied	Amount Collected as of June 30	% Collected as of June 30	Amount Collected in Subsequent Years	Total Amount Collected	Total Collected as % of Total Levy
2009	33,321,976	33,222,244	99.70%	-	33,222,244	99.70%
2010	34,325,675	34,232,696	99.73%	-	34,232,696	99.73%
2011	34,595,661	34,520,576	99.78%	-	34,520,576	99.78%
2012	35,667,761	35,612,768	99.85%	-	35,612,768	99.85%
2013	37,528,239	37,479,968	99.87%	-	37,479,968	99.87%
2014	40,366,263	40,313,147	99.87%	-	40,313,147	99.87%
2015	43,444,085	43,383,332	99.86%	-	43,383,332	99.86%
2016	46,678,387	46,640,591	99.92%	-	46,640,591	99.92%
2017	49,677,698	49,602,582	99.85%	-	49,602,582	99.85%
2018	52,836,422	52,802,023	99.93%	-	52,802,023	99.93%

<sup>(1)</sup> The County's current property tax system is unable to track collections by respective year of levy. Thus information on collections of delinquent taxes in subsequent years is not available.

Source: Santa Clara County records and California Municipal Statistics, Inc.

Computation of Legal Debt Margin

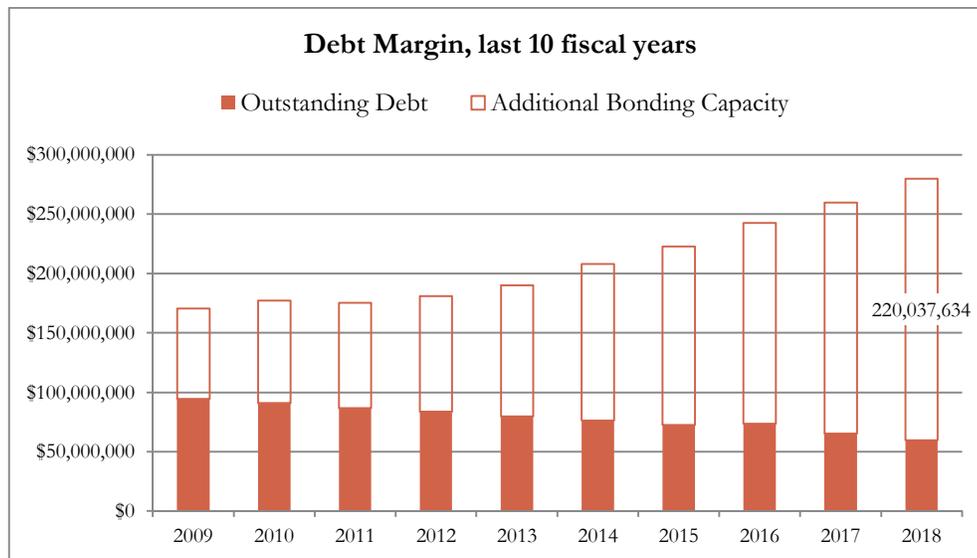
Fiscal Year	Assessed Valuation <sup>1</sup>	Statutory Bonding Capacity <sup>2</sup>	Outstanding Debt <sup>(3)</sup>	Additional Bonding Capacity (Debt Margin)	Ratio of Debt Margin to Debt Limit
2009	\$ 13,627,085,860	\$ 170,338,573	\$ 94,359,000	\$ 75,979,573	44.6%
2010	14,176,996,881	177,212,461	90,819,000	86,393,461	48.8%
2011	14,015,681,413	175,196,018	86,664,000	88,532,018	50.5%
2012	14,466,276,540	180,828,457	83,603,480	97,224,977	53.8%
2013	15,205,649,537	190,070,619	79,715,560	110,355,059	58.1%
2014	16,641,461,184	208,018,265	76,158,560	131,859,705	63.4%
2015	17,816,282,409	222,703,530	72,518,760	150,184,770	67.4%
2016	19,392,728,583	242,409,107	73,555,000	168,854,107	69.7%
2017	20,761,582,826	259,519,785	65,340,000	194,179,785	74.8%
2018	22,374,610,758	279,682,634	59,645,000	220,037,634	78.7%

<sup>1</sup> California Municipal Statistics, Inc. and Santa Clara County.

<sup>2</sup> Statutory Bonding Capacity is equal to 1.25% of the District's total assessed valuation.

<sup>(3)</sup> The district's debt margin is calculated by subtracting from the statutory bonding capacity the sum of the outstanding debt principal (net general bonded debt) and bond anticipation notes. See table below for the net bonded debt for FY2018 and outstanding bond anticipation notes.

General Bonded Debt, gross	\$ 55,390,304
<u>Less, Unamortized Bond Premium</u>	<u>5,745,304</u>
General Bonded Debt, net	49,645,000
Bond Anticipation Notes	10,000,000
<b>Total, Outstanding Debt</b>	<b>\$ 59,645,000</b>



Ratio of Total Debt to AV / Capita

Year	General Bonded Debt <sup>(1)</sup>	Bond Anticipation Notes <sup>(1)</sup>	Site Lease Purchase Obligations <sup>(1)</sup>	Total Debt <sup>(1)</sup>	Assessed Value	Debt / A.V.	Estimated Population <sup>(2)</sup>	Debt/ Capita
2009	\$ 94,359,000		\$ 4,123,551	\$ 98,482,551	\$ 13,627,085,860	0.723%	41,178	\$ 2,392
2010	90,819,000		3,985,861	94,804,861	14,176,996,881	0.669%	40,791	2,324
2011	86,664,000		3,841,525	90,505,525	14,015,681,413	0.646%	40,496	2,235
2012	83,603,480		3,690,222	87,293,702	14,466,276,540	0.603%	40,341	2,164
2013	79,715,560		3,531,616	83,247,176	15,205,649,537	0.547%	40,256	2,068
2014	86,588,753		3,365,355	89,954,108	16,641,461,184	0.541%	41,241	2,181
2015	81,790,044		3,191,069	84,981,113	17,816,282,409	0.477%	42,487	2,000
2016	76,667,374	5,000,000	3,008,372	84,675,746	19,392,728,583	0.437%	43,765	1,935
2017	64,734,365	7,500,000	2,816,856	75,051,221	20,761,582,826	0.361%	45,040	1,666
2018	55,390,304	10,000,000	2,616,096	68,006,400	22,374,610,758	0.304%	45,040	1,510

<sup>(1)</sup> As of June 30th

<sup>(2)</sup> Estimated population from the U.S. Census Bureau, <http://www.census.gov/did/www/saipa/index.html>

Data for 2011 and 2012 were estimated based off of the population growth in Los Altos and Los Altos Hills.

Below is the ratio of net general bonded debt to both district assessed valuation and population. Data on net general bonded debt is not readily available for fiscal years prior to 2016.

Ratio of Net General Bonded Debt to AV / Capita

Year	General Bonded Debt, gross	less, Unamortized Bond Premium	General Bonded Debt, net	Assessed Value	Debt / A.V.	Estimated Population	Debt/Capita
2016	\$ 76,667,374	\$ 8,112,374	\$ 68,555,000	\$ 19,392,728,583	0.354%	43,765	\$ 1,566
2017	64,734,365	6,894,365	57,840,000	20,761,582,826	0.279%	45,040	1,284
2018	55,390,304	5,745,304	49,645,000	22,374,610,758	0.222%	45,040	1,102

Data extracted from table above; unable to calculate net general bonded debt prior to FY2016 as data for unamortized bond premium not available

**Direct and Overlapping Debt**

2017-18 Assessed Valuation: \$22,374,610,758

	Total Debt 6/30/2017	% Applicable	Debt 6/30/17
<b>OVERLAPPING TAX AND ASSESSMENT DEBT:</b>			
Santa Clara County	\$1,011,383,534	4.98%	\$50,366,900
Foothill-De Anza Community College District	\$633,997,981	14.36%	91,061,130
Mountain View-Los Altos Union High School District	\$52,243,376	46.26%	24,165,696
City of Palo Alto	\$62,140,025	0.79%	489,042
City of Los Altos 1915 Act Bonds (Estimate)	\$729,281	80.56%	587,538
City of Los Altos Hills Assessment District No. 1	\$1,715,000	100.00%	1,715,000
El Camino Hospital District	\$127,800,000	25.69%	32,833,098
Midpeninsula Regional Park District	\$93,350,006	8.43%	7,866,605
Santa Clara Valley Water District Benefit Assessment District	\$82,285,005	4.98%	4,093,679
<b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>	<b>\$2,065,644,208</b>		<b>\$213,178,688</b>
<b>OVERLAPPING GENERAL FUND DEBT:</b>			
Santa Clara County General Fund Obligations	\$589,650,361	4.98%	\$29,364,588
Santa Clara County Pension Obligation Bonds	\$3,575,472	4.975	17,787,972
Santa Clara County Board of Education Certificates of Participation	\$50,031	4.957	248,004
Foothill-DeAnza Community College District Certificates of Participation	\$288,039	14.363	4,137,098
Mountain View-Los Altos Union High School District Certificates of Participati	\$18,450	46.256	853,423
City of Los Altos Certificates of Participation	\$12,450	81.04	1,008,948
Other City General Fund Obligations		Various	107,698
Midpeninsula Regional Park District General Fund Obligations	\$1,230,406	8.427	10,368,631
Santa Clara Valley Vector Control District Certificates of Participation	\$24,700	4.975	122,883
<b>TOTAL GROSS OVERLAPPING GENERAL FUND DEBT</b>	<b>\$594,849,909</b>		<b>\$63,999,245</b>
Less: Santa Clara County supported obligations			<u>20,242,562</u>
<b>TOTAL NET OVERLAPPING GENERAL FUND DEBT</b>			<b>\$43,756,683</b>
<b>GROSS COMBINED TOTAL OVERLAPPING DEBT</b>			<b>\$277,177,933 [1]</b>
<b>NET COMBINED TOTAL OVERLAPPING DEBT</b>			<b>\$256,935,371</b>

[1]Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

**District Direct Debt**

General Bonded Debt	\$55,390,304	100%	\$55,390,304
Bond Anticipation Notes	10,000,000	100%	10,000,000
Site Lease Purchases	<u>2,616,096</u>	<u>100%</u>	<u>2,616,096</u>
<b>Total, District Direct Debt</b>	<b>\$68,006,400</b>	<b>100%</b>	<b>\$68,006,400</b>

Total, Direct and Overlapping Debt (gross)			<u>\$345,184,333</u>
Total, Direct and Overlapping Debt (net)			<u>\$324,941,771</u>

**Ratios to 2017-18 Assessed Valuation:**

<b>Direct Debt (\$68,006,400)</b>	<b>0.30%</b>
Total Overlapping Tax and Assessment Debt	1.24%
Gross Combined Total Debt	1.54%
Net Combined Total Debt	1.45%

Source: California Municipal Statistics, Inc.

**Ratio of Annual Debt Service Expenditures to General Expenditures**

Fiscal Year	Annual Debt Service	Total General Expenditures <sup>(1)</sup>	Debt / Expenditures
2009	\$ 7,214,250	\$ 41,885,604	17.22%
2010	7,633,750	41,771,005	18.28%
2011	8,069,075	42,743,485	18.88%
2012	8,648,100	42,598,228	20.30%
2013	7,684,300	47,139,214	16.30%
2014	9,193,487	50,152,353	18.33%
2015	8,391,675	54,359,641	15.44%
2016	9,791,580	56,443,717	17.35%
2017	10,012,817	60,948,102	16.43%
2018	10,653,077	65,841,723	16.18%

<sup>(1)</sup> General Fund expenditures only.

Annual debt service is bond debt service due in the upcoming fiscal year as of June 30 of the prior year and excludes bonds issued during the fiscal year.

Source: District records, Annual Budget Documents

**Enrollment & Attendance History**

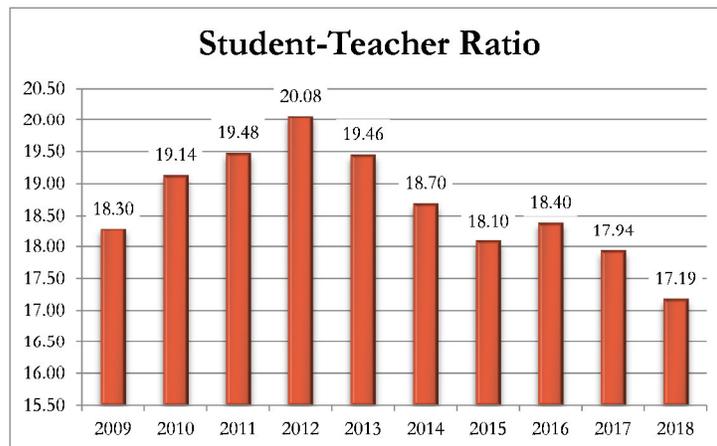
<b>Fiscal Year</b>	<b>Average Daily Attendance (ADA) (2nd Period)</b>	<b>Enrollment (October)</b>	<b>Ratio, ADA to Enrollment</b>	<b>Enrollment Growth: %</b>
2009	4,156	4,245	0.98	-0.5%
2010	4,197	4,287	0.98	1.0%
2011	4,301	4,384	0.98	2.3%
2012	4,387	4,477	0.98	2.1%
2013	4,402	4,495	0.98	0.4%
2014	4,449	4,543	0.98	1.1%
2015	4,565	4,670	0.98	2.8%
2016	4,533	4,636	0.98	-0.7%
2017	4,379	4,522	0.97	-2.5%
2018	4,292	4,400	0.98	-2.7%

Source: District records.

**Student-Teacher Ratios**

<b>Fiscal Year</b>	<b>Student Enrollment</b>	<b>No. of Teachers</b>	<b>Student-Teacher Ratio</b>
2009	4,245	232	18.30
2010	4,287	224	19.14
2011	4,384	225	19.48
2012	4,477	223	20.08
2013	4,495	231	19.46
2014	4,543	243	18.70
2015	4,670	258	18.10
2016	4,636	252	18.40
2017	4,522	252	17.94
2018	4,400	256	17.19

Source: District records.



New Construction for Los Altos and Los Altos Hills

Year	Los Altos Number of New Units			Los Altos Hills Number of New Units		
	Single Unit	Multi-Units	Total	Single Unit	Multi-Units	Total
2008	36	2	38	23	0	23
2009	29	0	29	16	1	17
2010	80	3	83	18	0	18
2011	44	23	67	26	0	26
2012	46	0	46	21	0	21
2013	78	48	126	30	0	30
2014	35	182	217	25	4	29
2015	42	4	46	42	0	42
2016	52	0	52	34	0	34
2017	41	0	41	24	0	24

Year	Los Altos Valuations (in thousands)			Los Altos Hills Valuations (in thousands)		
	Single Unit	Multi-Units	Total	Single Unit	Multi-Units	Total
2008	26,622	1,748	28,369	17,309	0	17,309
2009	25,395	0	25,395	13,401	1,770	15,172
2010	35,219	210	35,429	18,446	0	18,446
2011	31,672	8,178	39,850	22,551	0	22,551
2012	33,516	0	33,516	12,554	0	12,554
2013	46,592	15,100	61,692	29,970	0	29,970
2014	25,654	47,541	73,195	18,121	2,545	20,666
2015	35,100	403	35,503	36,500	0	36,500
2016	47,780	0	47,780	25,520	0	25,520
2017	39,010	0	39,010	20,996	0	20,996

Source: U.S. Census Bureau  
 (<http://censtats.census.gov/bldg/bldgprmt.shtml>)

**Total Taxable Transactions for Los Altos, Los Altos Hills and Santa Clara County**

<b>Year</b>	<b>Los Altos</b>	<b>Los Altos Hills</b>	<b>Santa Clara County</b>
2008	219,960	8,001	32,274,306
2009	181,790	7,252	27,427,709
2010	191,425	6,836	30,523,322
2011	202,283	7,717	33,431,217
2012	209,680	8,002	36,220,445
2013	209,851	7,332	37,621,606
2014	214,675	7,352	39,628,655
2015	288,867	6,317	41,231,759
2016	228,529	7,794	41,831,669
2017*	172,989	5,743	31,039,739

Source: State Board of Equalization (<http://www.boe.ca.gov/news/tsalescont.htm>)

\*Information available only for three quarters.

**Bank Deposits for Santa Clara County**

*Data unavailable for the District.*

<b>Fiscal Year</b>	<b>Deposits (in millions)</b>
2009	56,640
2010	62,548
2011	68,057
2012	73,478
2013	81,618
2014	99,193
2015	114,438
2016	123,789
2017	134,866
2018	141,656

Source: Federal Deposit Insurance Corporation  
(<http://www2.fdic.gov/sod/SODSumReport.asp>)

**Principal Employers, Santa Clara County**

Most recent (FY2017) compared to nine years earlier

Employer	Product/Service	% of Total County		Fiscal Year 2008		
		Employees	Employment	Employees	Rank	% of Total County Employment
1 Apple Computer	Personal computers	25,000	2.53%	10,000	3	1.22%
2 Alphabet Inc.	Computer products	20,000	2.02%			
3 County of Santa Clara	Government	18,244	1.85%	16,011	1	1.96%
4 Stanford University	Higher Education	16,919	1.71%			
5 Cisco Technology Inc.	Computer products	15,700	1.59%	13,000	2	1.59%
6 Kaiser Permanente	Health Maintenance Organization	12,500	1.27%			
7 Stanford Healthcare	Medical & surgical hospitals/clinics	10,034	1.02%	5,500	7	0.67%
8 Tesla Motors Inc.	Automotive/alternative energy	10,000	1.01%			
9 Facebook Inc.	Social media/networking	9,385	0.95%			
10 Intel Corporation	Computer products	8,500	0.86%	5,000	9	0.61%
Lockheed Martin Corp.	Search & navigation systems			9,400	4	1.15%
IBM	Informational technology			7,650	5	0.93%
Hewlett Packard Co.	Computers and software			7,000	6	0.86%
Fujitsu	Digital technology			5,000	8	0.61%
Applied Materials, Inc.	Computer products			4,000	10	0.49%
<b>Total, Top Ten Employers</b>		<b>146,282</b>	<b>14.80%</b>	<b>82,561</b>		<b>10.09%</b>
<b>Total County Employment</b>		<b>988,100</b>		<b>818,650</b>		

Source: County of Santa Clara annual financial report.

**Staffing FTE by Function**

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Instruction										
Teachers	231.63	224.22	223.92	222.70	230.97	243.16	257.75	251.58	251.68	256.27
Para-professionals	82.62	74.36	85.05	76.35	82.81	81.53	89.76	89.83	89.50	98.06
sub-total, Instruction	314.25	298.58	308.97	299.05	313.78	324.69	347.51	341.41	341.18	354.33
Instruction-related services	25.70	26.13	25.73	25.12	26.70	27.30	27.30	26.37	29.88	33.38
Pupil services	7.20	7.40	8.20	7.70	9.00	12.60	12.00	13.30	13.20	13.20
General administration	20.76	19.89	20.82	20.48	22.33	24.66	30.70	28.89	27.91	30.49
Plant services	23.38	23.00	23.00	21.00	21.00	21.50	23.00	23.00	23.00	23.00
Facilities acquisition & construction	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total, all staffing	391.29	375.00	386.72	373.35	392.81	410.75	440.51	432.97	435.17	454.40
Teachers (FTE)	231.63	224.22	223.92	222.70	230.97	243.16	257.75	251.58	251.68	256.27
% of total staffing	59%	60%	58%	60%	59%	59%	59%	58%	58%	56%

Source: District records.

**2017–18 Teaching Staff Demographics**

Average Age	43
Average Years Teaching in District	9
Average Total Years Teaching	14
1st Year	15 teachers
2nd Year	10 teachers
3-5 Years	39 teachers
6+ Years	194 teachers
Male	32
Female	226
	<u>258</u>
Ethnicity	
White	212 (82%)
All Other	46 (18%)
	<u>258</u>
Highest Education Level Attained	
Masters or greater	169
Teachers with CLAD Credentials	255

Source: District records.

Capital Assets by Function and Activity

Function and Activity	Fiscal Year				
	2009	2010	2011	2012	2013
Instruction	\$ 102,980,304	\$ 103,050,454	\$ 103,164,639	\$ 103,308,103	\$ 103,584,200
Supervision of instruction	360,061	360,061	360,061	360,061	360,061
Instruction library, media and technology	9,776,525	9,776,525	9,776,525	9,776,525	9,776,525
School site administration	9,930,707	9,930,707	9,930,707	9,930,708	9,930,708
Food services	47,158	47,158	47,158	47,158	47,158
All other pupil services	81,810	81,810	81,810	81,809	81,809
Data processing	165,384	165,384	178,860	178,860	189,895
All other general administration	2,726,948	2,726,948	2,726,948	2,726,948	2,726,949
Plant services	5,395,098	5,432,174	5,461,064	5,490,233	5,641,003
Total capital assets	\$ 131,463,995	\$ 131,571,221	\$ 131,727,772	\$ 131,900,405	\$ 132,338,308

Function and Activity	Fiscal Year				
	2014	2015	2016	2017	2018
Instruction	\$ 103,630,018	\$ 103,817,315	\$ 103,817,315	\$ 103,742,589	\$ 103,747,985
Supervision of instruction	360,061	360,061	360,061	360,061	360,061
Instruction library, media and technology	9,776,525	9,776,525	9,776,525	9,776,525	9,776,525
School site administration	9,988,903	9,988,903	9,988,903	9,988,903	9,988,903
Food services	47,158	47,158	47,158	47,158	47,158
All other pupil services	81,810	81,810	81,810	81,810	81,810
Data processing	189,895	189,895	208,283	194,807	194,808
All other general administration	2,746,903	2,746,903	2,746,903	2,746,903	2,746,903
Plant services	5,649,845	5,656,945	5,656,945	5,656,945	5,656,945
Total capital assets	\$ 132,471,118	\$ 132,665,515	\$ 132,683,903	\$ 132,595,701	\$ 132,601,097

Source: District records.

School Building Information

	Year	Year	Fiscal Year									
	<u>Built</u>	<u>Renovated</u>	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Almond Elementary	1957	2003										
Square Feet			32,427	32,427	32,427	32,427	32,427	32,427	32,427	32,427	32,427	32,427
Capacity			350	350	350	350	350	350	350	350	350	350
Enrollment			554	538	531	526	540	510	545	536	541	508
Gardner Bullis Elementary	1961	2008										
Square Feet			16,588	16,588	16,588	16,588	16,588	16,588	16,588	16,588	16,588	16,588
Capacity			200	200	200	200	200	200	200	200	200	200
Enrollment			202	246	291	298	321	318	337	352	345	309
Covington Elementary	1950	2003										
Square Feet			48,824	48,824	48,824	48,824	48,824	48,824	48,824	48,824	48,824	48,824
Capacity			600	600	600	600	600	600	600	600	600	600
Enrollment			488	455	455	498	500	512	553	559	561	580
Loyola Elementary	1949	2004										
Square Feet			30,851	30,851	30,851	30,851	30,851	30,851	30,851	30,851	30,851	30,851
Capacity			475	475	475	475	475	475	475	475	475	475
Enrollment			538	571	590	588	573	542	526	505	446	425
Oak Elementary	1957	2005										
Square Feet			21,264	21,264	21,264	21,264	21,264	21,264	21,264	21,264	21,264	21,264
Capacity			350	350	350	350	350	350	350	350	350	350
Enrollment			445	450	446	463	487	506	459	444	430	409
Santa Rita Elementary	1957	2004										
Square Feet			25,578	25,578	25,578	25,578	25,578	25,578	25,578	25,578	25,578	25,578
Capacity			400	400	400	400	400	400	400	400	400	400
Enrollment			514	523	542	537	566	561	568	561	541	546
Springer Elementary	1955	2003										
Square Feet			29,603	29,603	29,603	29,603	29,603	29,603	29,603	29,603	29,603	29,603
Capacity			500	500	500	500	500	500	500	500	500	500
Enrollment			490	521	516	535	517	522	538	522	501	495
Blach Intermediate	1957	2002										
Square Feet			64,784	64,784	64,784	64,784	64,784	64,784	64,784	64,784	64,784	64,784
Capacity			600	600	600	600	600	600	600	600	600	600
Enrollment			475	449	476	476	471	512	525	512	499	517
Egan Intermediate	1959	2002										
Square Feet			59,488	59,488	59,488	59,488	59,488	59,488	59,488	59,488	59,488	59,488
Capacity			600	600	600	600	600	600	600	600	600	600
Enrollment			539	534	537	556	520	560	619	645	658	611
District Administration	1950	2003										
Square Feet			12,593	12,593	12,593	12,593	12,593	12,593	12,593	12,593	12,593	12,593
Maintenance	2003	n/a										
Square Feet			5,440	5,440	5,440	5,440	5,440	5,440	5,440	5,440	5,440	5,440

Square Footage reflects permanent buildings only.

Capacity based on average of 25 students per classroom and excludes portable buildings.

Source: District records.

**History of Investment Income (Interest Earnings)**

*By Fund Type*

Fiscal Year	General	Special Revenue	Capital Projects	Bond Interest & Redemption	Total, All Funds
2009	\$ 411,230	\$ 10,722	\$ 26,869	\$ 44,427	\$ 493,248
2010	206,033	3,945	(3,695)	13,681	219,964
2011	187,685	1,396	4,862	21,010	214,953
2012	81,499	1,711	2,737	16,100	102,047
2013	71,068	2,196	2,334	13,889	89,487
2014	58,041	1,461	1,612	10,978	72,091
2015	52,978	1,291	757	14,805	69,831
2016	91,378	1,373	10,200	25,073	128,025
2017	135,183	1,185	14,782	38,065	189,214
2018	219,583	2,519	34,503	64,404	321,009

*Includes interest earnings in Deferred Maintenance Fund, which in the Statement of Activities are reclassified as Operating Grants & Contributions (per GASB 34).*

*Source: District records.*

LASD Community Demographic Data: 2017<sup>(1)</sup>

	District	County	State
<b>Population</b>	44,100	1,911,226	38,982,847
<b>Distribution by Age</b>			
Under 5 Years	5%	6%	6%
5–19 Years	22%	19%	20%
20–44 Years	25%	37%	36%
45–64 Years	30%	26%	25%
65 Years or Older	19%	13%	13%
<b>Median Age</b>	44	37	36.1
<b>Household Characteristics</b>			
Number of children under 18	11,067	433,846	9,088,594
% Living in Single-Parent Households	10%	22%	31%
<b>Employment</b>			
Unemployment rate for those aged 16+	3.3%	5.5%	7.7%
<b>Income and Wealth</b>			
Median Household Income	\$189,267	\$106,761	\$67,169
Income Per Person	\$99,010	\$48,689	\$33,128
Median Home Value	\$2,000,000+	\$829,600	\$443,400
Total Personal Income	\$4,366,341,000	\$93,055,682,714	\$1,291,423,755,416
<b>Adult Education Attainment Levels</b>			
Adults with H.S. Diploma	98%	89%	83%
Adults with Bachelor's Degree	85%	52%	33%

Source: U.S. Census Bureau, 2013-2017 American Community Survey  
<http://factfinder2.census.gov/>

Comparative Birth Data

Calendar Year	LASD Zip Codes	Santa Clara County	California
2008	366	26,730	551,567
2009	314	25,200	526,774
2010	318	23,936	509,974
2011	309	24,284	502,023
2012	341	24,967	503,788
2013	324	23,867	494,392
2014	n/a	24,302	502,973
2015	n/a	23,360	492,284
2016	n/a	23,834	492,284
2017	n/a	not yet available	471,500

Total births by place of mother's residence. Data for Los Altos School District extracted from zip code data, and no longer available starting in 2014.

Source: California Department of Public Health

Miscellaneous Statistics

District Name:	Los Altos School District	
Type of District:	Elementary (K-8)	
Year Founded:	1909	
Area (square miles):	20.64	( <i>est.</i> )
Population Served:	45,040	( <i>est.</i> )
Number of Schools:		
Elementary (K-6)	7	
Intermediate (7-8)	<u>2</u>	
Total	9	
Enrollment:		
Elementary (K-6)	3,272	( <i>Fall 2017</i> )
Intermediate (7-8)	<u>1,128</u>	( <i>Fall 2017</i> )
Total	4,400	
% of students eligible for free or reduced lunches	6%	
Number of Employees:		
Certificated	269	<i>full-time equivalents</i>
Classified	155	<i>full-time equivalents</i>
Management/Confidential	<u>31</u>	<i>full-time equivalents</i>
Total	455	
Teacher to Pupil Ratio:	17.19	

Source: District records.

# State and Federal Award Compliance Information Section

Los Altos School District  
 Schedule of Average Daily Attendance  
 For the Fiscal Year Ended June 30, 2018

	Second Period Report	Annual Report
Regular ADA:		
Grades TK/K through three	1,726.81	1,732.35
Grades four through six	1,463.56	1,466.19
Grades seven and eight	1,094.21	1,094.97
Regular ADA Totals	4,284.58	4,293.51
Extended year special education:		
Grades TK/K through three	2.37	2.37
Grades four through six	1.50	1.50
Grades seven and eight	0.66	0.66
Special education - nonpublic and nonsectarian:		
Grades four through six	2.08	2.21
Grades seven and eight	0.94	0.95
Extended year special education - nonpublic and nonsectarian:		
Grades four through six	0.15	0.15
Grades seven and eight	0.09	0.09
ADA Totals	4,292.37	4,301.44

Los Altos School District  
 Schedule of Instructional Time Offered  
 For the Fiscal Year Ended June 30, 2018

Grade Level	Minutes Requirements	2017-18 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	36,000	49,935	180	0	In compliance
Grades 1	50,400	51,675	180	0	In compliance
Grades 2	50,400	51,675	180	0	In compliance
Grades 3	50,400	55,155	180	0	In compliance
Grades 4	54,000	55,155	180	0	In compliance
Grades 5	54,000	55,155	180	0	In compliance
Grades 6	54,000	55,155	180	0	In compliance
Grades 7	54,000	56,391	180	0	In compliance
Grades 8	54,000	56,391	180	0	In compliance

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

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instruction time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206. The District has not met or exceeded its target funding.

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

	2019 (Budgeted <sup>1</sup> )	2018	2017	2016
<b><u>General Fund</u></b>				
Revenues and other financial sources	\$ 62,928,216	\$ 63,518,402	\$ 59,594,930	\$ 60,088,062
Expenditures	63,434,322	65,841,723	60,948,102	56,443,717
Other uses and transfers (out)	-	27,304	274,067	1,325,000
Total outgo	63,434,322	65,869,027	61,222,169	57,768,717
Change in fund balance	<u>\$ (506,106)</u>	<u>\$ (2,350,625)</u>	<u>\$ (1,627,239)</u>	<u>\$ 2,319,345</u>
Beginning fund balance adjustment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Ending fund balance	<u>\$ 4,769,516</u>	<u>\$ 5,275,622</u>	<u>\$ 7,626,247</u>	<u>\$ 9,253,486</u>
Available reserves <sup>(2)</sup>	<u>\$ 4,380,305</u>	<u>\$ 4,117,440</u>	<u>\$ 3,957,816</u>	<u>\$ 5,373,125</u>
Available reserves as a percentage of total outgo	6.9%	6.3%	6.5%	9.5%
Total long-term liabilities	\$ 136,648,337	\$ 147,287,986	\$ 129,596,379	\$ 128,909,421
Average daily attendance at P2	4,309	4,292	4,379	4,533

Average daily attendance has decreased by 241 over the past three years. The district anticipates an increase of 17 ADA.

- <sup>(1)</sup> Budget numbers are based on the first adopted budget of the fiscal year 2018/19, which is unaudited.
- <sup>(2)</sup> Available reserves consists of all unassigned fund balances in the General Fund, which includes the reserve for economic uncertainties. For a district of this size, the State recommends available reserves of at least 3% of total outgo.

Los Altos School District  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2018

PROGRAM NAME	Federal Catalog Number	Pass-Through Entity Identifying Number	Program Expenditures
<b>U. S. DEPARTMENT OF EDUCATION</b>			
Passed Through California Department of Education			
<i>Special Education Cluster</i>			
IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027 <sup>(1)</sup>	13379	\$ 729,164
IDEA Local Assistance, Part B, Sec 611, Private School ISPs	84.027 <sup>(1)</sup>	10115	13,223
IDEA Preschool Local Entitlement, Part B, Section 611 (AGE 3-4-5)	84.027 <sup>(1)</sup>	13682	61,897
IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611	84.027 <sup>(1)</sup>	15197	51,179
IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)	84.173 <sup>(1)</sup>	13430	19,500
IDEA Preschool Staff Development, Part B, Sec 619	84.173 <sup>(1)</sup>	13431	155
IDEA Alternate Dispute Resolution, Part B, Sec 611	84.173 <sup>(1)</sup>	13007	<u>2,677</u>
Total Special Education Cluster			877,795
NCLB: Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	75,853
NCLB: Title II, Teacher Quality Private School	84.367	15144	50,896
ESEA (ESSA): Title III, Immigrant Education Program	84.365	15146	35,394
ESEA (ESSA): Title III, English Learner Student Program	84.365	14346	<u>62,486</u>
<b>TOTAL U. S. DEPARTMENT OF EDUCATION</b>			<u>1,102,424</u>
<b>TOTAL FEDERAL PROGRAMS</b>			<u><u>\$ 1,102,424</u></u>

<sup>(1)</sup> Audited as major program

There were no pass throughs to subrecipients during the year

Los Altos School District  
 Reconciliation of Annual Financial and Budget Report (SACS)  
 with Audited Financial Statements  
 For the Fiscal Year Ended June 30, 2018

	GENERAL FUND	BUILDING FUND	CAPITAL FACILITIES FUND	BOND INTEREST AND REDEMPTION FUND	OTHER <sup>(1)</sup> NONMAJOR GOVERNMENTAL FUNDS	CAPITAL ASSETS	LONG TERM LIABILITIES
JUNE 30, 2018 ANNUAL FINANCIAL AND BUDGET REPORT (SACS) FUND BALANCES, CAPITAL ASSETS & LONG TERM LIABILITIES	\$ 2,029,670	\$ 3,781,533	\$ 1,160,018	\$ 10,698,060	\$ 3,900,867	\$ 87,247,384	\$ 71,140,895
ADJUSTMENTS AND RECLASSIFICATIONS:							
Special Reserve Fund for Other Than Capital Outlay:							
Cash with County Treasury	591,674	-	-	-	(591,674)	-	-
Accounts receivable	1,666	-	-	-	(1,666)	-	-
Special Reserve Fund for Postemployment Benefits:							
Cash with County Treasury	3,129,322	-	-	-	(3,129,322)	-	-
Accounts receivable	13,204	-	-	-	(13,204)	-	-
Accounts Payable Adjustment	(489,914)	-	-	-	-	-	-
Adjustments to beginning long-term liabilities for:							
Unamortized bond premium	-	-	-	-	-	-	6,894,365
Bond anticipation notes	-	-	-	-	-	-	7,500,000
Net pension liability	-	-	-	-	-	-	50,882,364
Net OPEB obligation	-	-	-	-	-	-	15,375,620
Unamortized bond premium	-	-	-	-	-	-	(1,149,061)
Bond anticipation notes	-	-	-	-	-	-	2,500,000
Net pension liability	-	-	-	-	-	-	9,313,630
Net OPEB obligation	-	-	-	-	-	-	(15,169,827)
JUNE 30, 2018 AUDITED FINANCIAL STATEMENTS FUND BALANCES, CAPITAL ASSETS & LONG TERM LIABILITIES	<u>\$ 5,275,622</u>	<u>\$ 3,781,533</u>	<u>\$ 1,160,018</u>	<u>\$ 10,698,060</u>	<u>\$ 165,001</u>	<u>\$ 87,247,384</u>	<u>\$ 147,287,986</u>

<sup>(1)</sup>The audited fund balance includes the following fund(s):

Deferred maintenance fund	<u>\$ 165,001</u>
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# Notes to State and Federal Award Compliance Section

## Note 1. PURPOSE OF SCHEDULES

### A. Schedule of Average Daily Attendance

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

### B. Schedule of Instructional Time Offered

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day and Year. 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 46206.

### C. 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.

### D. Schedule of Expenditures of Federal Awards

*Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires a disclosure of the financial activities of all federally funded programs. This schedule was prepared to comply with Uniform Guidance requirements.

### E. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

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

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

## Note 3. EARLY RETIREMENT INCENTIVE PROGRAM

The District has not adopted an early retirement incentive program, pursuant to Education Code Sections 22714 and 44929, whereby the service credit to eligible employees is increased to two years.

## Note 4. BASIS OF PRESENTATION – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

## Note 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District has elected not to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.



**Chavan & Associates, LLP**  
Certified Public Accountants

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

Board of Trustees  
Los Altos School District  
Los Altos, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Los Altos School District (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 20, 2018.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

C & A LLP

November 20, 2018  
San Jose, California



**Chavan & Associates, LLP**  
Certified Public Accountants

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

Board of Trustees  
Los Altos School District  
Los Altos, California

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

We have audited Los Altos School District's (the "District") compliance with the types of compliance requirements described 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, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

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

**Report on Internal Control over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant

deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*C & A UP*

November 20, 2018  
San Jose, California



**Chavan & Associates, LLP**  
 Certified Public Accountants

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

Board of Trustees  
 Los Altos School District  
 Los Altos, California

**Compliance**

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

**Management’s Responsibility**

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

**Auditor’s Responsibility**

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

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

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies Other than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	N/A
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	N/A

<u>Description</u>	<u>Procedures Performed</u>
School Districts, County Offices of Education, and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	N/A
After School	N/A
Before School	N/A
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	No
Charter Schools:	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study for Charter Schools	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

We did not perform the audit procedures for the Independent Study and Independent Study-Course Based programs because the ADA was under the level that requires testing.

**Opinion**

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

*C & A LLP*

November 20, 2018  
San Jose, California

# Schedule of Findings and Questioned Costs

## Section I - Summary of Auditor's Results

### Financial Statements

Type of auditor's report issued	<u>Unmodified</u>	
Internal control over financial reporting:		
Material weaknesses?	___ Yes	<u>X</u> No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes	<u>X</u> No
Non-compliance material to financial statements noted?	___ Yes	<u>X</u> No

### Federal Awards

Internal control over major programs:		
Material weaknesses?	___ Yes	<u>X</u> No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes	<u>X</u> No
Type of auditor's report issued on compliance over major programs	<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	___ Yes	<u>X</u> No

#### Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
84.027	IDEA Basic Local Assistance Entitlement, Part B, Sec 611
84.027	IDEA Local Assistance, Part B, Sec 611, Private School ISPs
84.027	IDEA Preschool Local Entitlement, Part B, Section 611 (AGE 3-4-5)
84.027	IDEA Mental Health Average Daily Attendance (ADA) Allocation, Part B, Sec 611
84.173	IDEA Preschool Grants, Part B, Section 619 (Age 3-4-5)
84.173	IDEA Preschool Staff Development, Part B, Sec 619
84.173	IDEA Alternate Dispute Resolution, Part B, Sec 611

Dollar threshold used to distinguish between type A and type B programs:	\$ <u>750,000</u>
Auditee qualified as low risk auditee?	___ Yes <u>X</u> No

### State Awards

Internal control over state programs:		
Material weaknesses?	___ Yes	<u>X</u> No
Significant deficiencies identified not considered to be material weaknesses?	___ Yes	<u>X</u> No
Type of auditor's report issued on compliance over state programs:	<u>Unmodified</u>	

**Section II - Financial Statement Findings**

None

**Section III – Federal Awards Findings**

None

**Section IV – State Awards Findings**

None

# Schedule of Prior Year Findings and Recommendations

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## Section II - Financial Statement Findings

None

## Section III – Federal Awards Findings

None

## Section IV – State Awards Findings

None