

**LOS GATOS-SARATOGA JOINT  
UNION HIGH SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2015**

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

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JUNE 30, 2015

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***FINANCIAL SECTION***



## INDEPENDENT AUDITOR'S REPORT

Governing Board  
Los Gatos-Saratoga Joint Union High School District  
Los Gatos, 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 Gatos-Saratoga Joint Union High School District (District) as of and for the year ended June 30, 2015, 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*

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; and *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter - Change in Accounting Principles***

As discussed in Note 1 and Note 12 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, other postemployment benefit, net pension liability, and District pension contribution information 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.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization* and the other supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information including the Schedule of Expenditures of Federal Award's, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015, 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.

*Vavrinek, Trine, Day & Co. LLP*

Palo Alto, California  
November 30, 2015

# **LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2015**

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This section of Los Gatos-Saratoga Union High School District's 2014-2015 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2015. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### **PROFILE OF THE DISTRICT**

The Los Gatos-Saratoga Union High School District (the District) was founded in 1887 to provide quality secondary education to the residents of Los Gatos, Monte Sereno, and Saratoga in Santa Clara County and portions of the Santa Cruz mountains area in Santa Cruz County. With a long tradition of academic excellence the District operates two comprehensive high schools that are fully accredited by the Western Association of Schools and Colleges. Every year the District's two campuses – Los Gatos High School (LGHS) and Saratoga High School (SHS) – serve more than 3,100 students. The District also operates an alternative education program, VALOR, an Independent Study Program and coordinates with West Valley Junior College to provide a Middle College program.

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

The District has a long-standing and comprehensive strategic planning process that includes annual updating of district goals and the development of educational goals in accordance with the single plan for student achievement and the Local Control Accountability Plan (LCAP). The mission of the District is to maximize the learning of all students. The graduation rate for students is almost 100% and nearly all graduates go on to pursue further studies.

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

### **FINANCIAL HIGHLIGHTS**

A school district is deemed a "Basic Aid District" when the assessed valuation of the district increases to the point where the local property taxes exceed the State's calculated Local Control Funding Formula (LCFF) for the District. The District became Basic Aid in the early 1990's. Property tax revenue is the primary source for all instructional programs and provides the vast majority of the resources to pay for all operating costs in the General Fund of the District. Because funding relies on assessed valuation, the impact of a recession could have a negative effect upon local property tax revenues of the District. Therefore, we must use caution, and err on the conservative side, in making long-term commitments with district funds.

The General Fund expenditures per student in 2014-2015 were \$15,064. This was an increase of \$1,869 from last year's per student spending of \$13,195 in 2013-2014.

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2015**

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The 2011-12 year marked the first year of parcel tax income. With the anemic growth in property values and reduction in state categorical money through a basic aid “fair share” reduction, the governing board authorized a parcel tax election on May 3, 2011. The parcel tax passed with a 72 percent passage rate and became effective July 1, 2011. The term of the parcel tax is six years and generated \$955,128 in 2014-2015. The tax is \$49 per parcel per year and a senior citizen exemption is available to seniors 65 years or older. A parcel tax oversight committee comprised of community members ensured that these funds were used for students and programs, in full compliance with voter authorized activities, and not for administrative salaries.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

### Government-wide Statements

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

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

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District one needs to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

### **Fund Financial Statements**

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

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

The District has two kinds of funds:

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

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

### FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

#### Net Position

The District's combined net position was -\$4,096,092 as of June 30, 2015. This table summarizes the District's net position. The District implemented the provision of Government Accounting Standards Board (GASB) Statement No. 68. Accounting and Reporting for Pension Liabilities and therefore the financial statements reflect the liability which caused the deficit in net position as common with other school districts.

<b>Los Gatos-Saratoga Joint Union High School District</b>			
<b>Net Position</b>			
(in thousands of dollars)			
	Total District 2015	Total District 2014	Net Change
<b>Assets</b>			
Current and other assets	\$ 59,981	\$ 15,337	\$ 44,644
Capital assets	73,611	72,858	753
<b>Total Assets</b>	<b>133,592</b>	<b>88,195</b>	<b>45,397</b>
<b>Deferred Outflow of Resources</b>			
Current year pension contribution	2,569	-	2,569
<b>Liabilities</b>			
Liabilities	3,130	474	2,656
Long-term debt other than pensions	96,009	54,977	41,032
Aggregate net pension liability	32,180	-	32,180
<b>Total Liabilities</b>	<b>131,319</b>	<b>55,451</b>	<b>75,868</b>
<b>Deferred Inflow of Resources</b>			
Deferred amounts on refunding	383	-	383
Difference between actual and expected rate of investment return	8,554	-	8,554
<b>Total Deferred Inflow of Resources</b>	<b>8,937</b>	<b>-</b>	<b>8,937</b>
<b>Net Position</b>			
Net investment in capital assets	19,318	20,218	(900)
Restricted	13,339	8,588	4,751
Unrestricted	(36,753)	3,938	(40,691)
<b>Total Net Position</b>	<b>\$ (4,096)</b>	<b>\$ 32,744</b>	<b>\$ (36,840)</b>

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

### Changes In Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. Total revenues surpassed expenses, increasing net position over last year. This table summarizes this information.

<b>Los Gatos-Saratoga Joint Union High School District</b>			
<b>Changes in Net Position</b>			
(in thousands of dollars)			
	Total District	Total District	Net Change
	2015	2014	
<b>Revenues</b>			
Program revenues			
Grants & contributions	\$ 4,995	\$ 2,939	\$ 2,056
Property taxes	51,109	44,638	6,471
Other federal and state revenue	1,395	1,247	148
Other general revenues	2,145	6,049	(3,904)
<b>Total Revenues</b>	<u>59,644</u>	<u>54,873</u>	<u>4,771</u>
<b>Expenses</b>			
Instruction related	36,992	33,167	3,825
Student support services	5,194	4,762	432
Administration	3,228	3,086	142
Maintenance & operations	6,465	7,316	(851)
Other	6,674	4,711	1,963
<b>Total Expenses</b>	<u>58,553</u>	<u>53,042</u>	<u>5,511</u>
<b>Change in Net Position</b>	<u>\$ 1,091</u>	<u>\$ 1,831</u>	<u>\$ (740)</u>

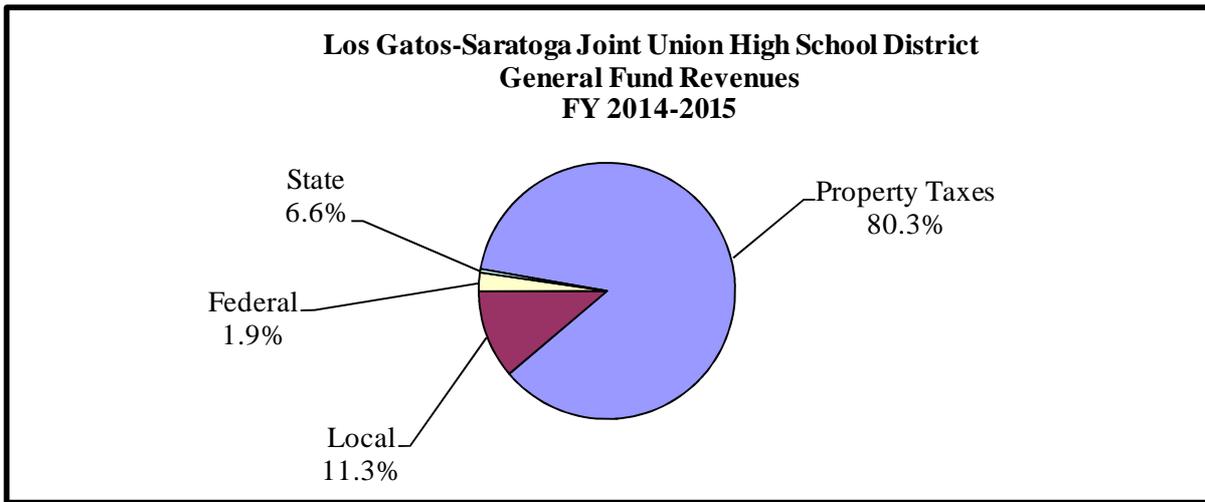
# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

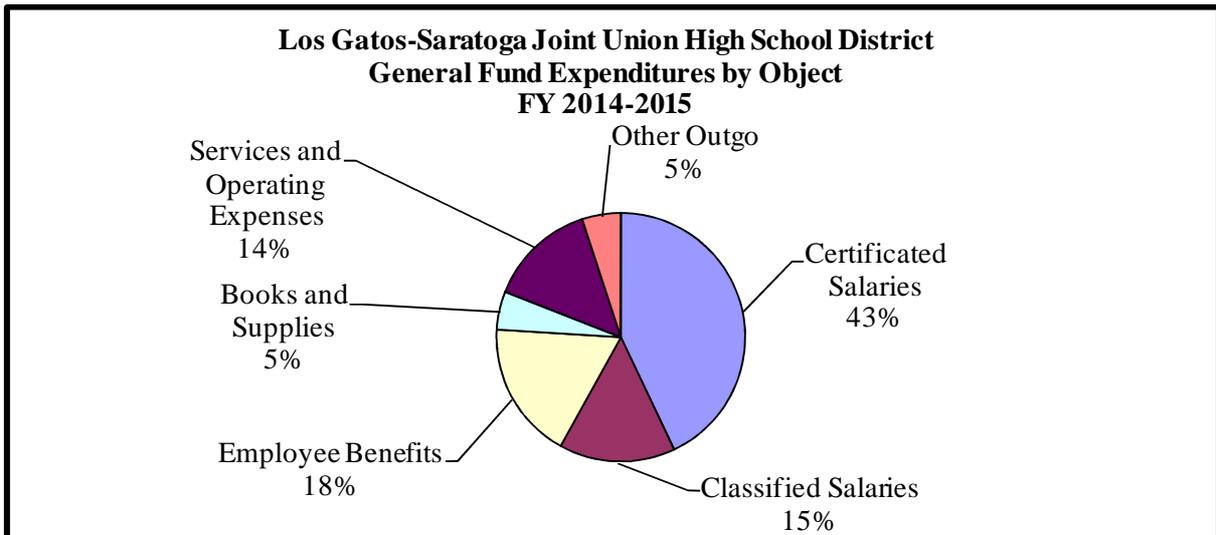
JUNE 30, 2015

### FINANCIAL ANALYSIS OF THE DISTRICT'S GENERAL FUND

The District is basic aid, which means that the District relies on local property taxes rather than State aid for the majority of its revenue. General Fund revenues for 2014-2015 excluding transactions related to the Special Revenue Fund for other than Capital Outlay Fund and On Behalf payments, increased by \$873,021 (2%) over the previous year. Property tax revenues increased by \$2,376,307 (6.66%). (Note: Other charts are incorporated in Adopted Budget on the District Web Page [www.lgsuhd.org](http://www.lgsuhd.org).)



Expenditures increased by 8.55% over the previous year. As is common with virtually all school districts, the vast majority of expenditures in the General Fund are for salaries and benefits. Of the total amount expended during 2014-2015, 76% was spent on salaries and benefits. See the chart below for a breakdown of General Fund expenditures.



\*Excludes on-behalf payments and Special Reserve Fund for Other than Capital Outlay

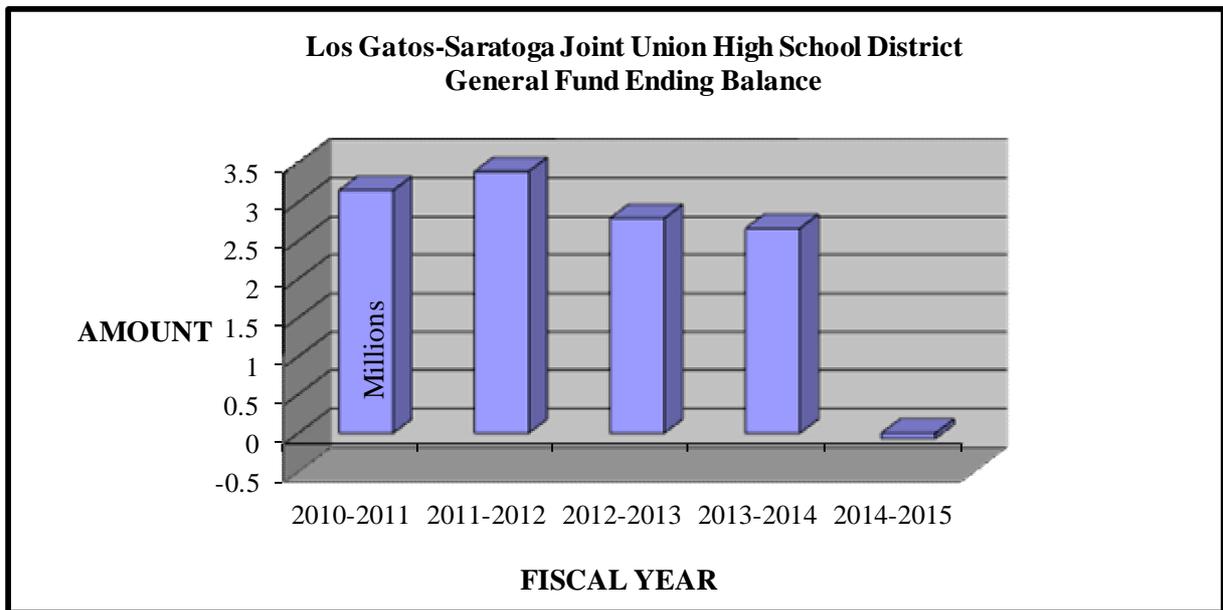
# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2015**

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In the General Fund, excluding Special Reserves for other than Capital Outlay Fund and On Behalf payments, total revenues and transfers in were \$45.4 million. Expenditures also excluding Special Reserve for other than Capital Outlay Fund and On Behalf payments totaled \$47.7 million. This resulted in an ending fund balance of -\$68,501. Of this amount, \$140,511 is restricted or nonspendable and a deficit of \$209,012 is unassigned. The District's reserve level is 6.13% The State requires reserves of 3% of General Fund expenditures and other uses. Available reserves are \$2.9 million which includes \$3.1 million from our Special Reserve – Other Than Capital Outlay Fund. Although the available reserves exceed the state required minimum, these monies can only fund one-time expenditures and should not be used to support ongoing expenses.



### General Fund Budgetary Highlights

Over the course of the year, the District revised the adopted budget with two interims and a final revised budget. Revenues increased due to the passage of the parcel tax. Local property taxes bottomed out in 2011-12 and began a slow recovery. The District anticipates a 3.50% increase in property tax income in 2015-2016 (net of RDA funding).

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the close of the year ended June 30, 2015, the District had invested \$127 million in a wide range of capital assets, including school buildings, fields, computer equipment and vehicles. The net book value of total assets increased by \$754 thousand from the prior year.

<b>Los Gatos-Saratoga Joint Union High School District</b>			
<b>Capital Assets at Year-end</b>			
(in thousands of dollars)			
	Total District <u>2015</u>	Total District <u>2014</u>	Total Changes
<b>Cost:</b>			
Land	\$ 49	\$ 49	\$ -
Construction in progress	3,755	1,199	2,556
Improvement of sites	1,320	54	1,266
Buildings and improvements	119,564	118,132	1,432
Equipment	2,404	2,160	244
	<u>\$ 127,092</u>	<u>\$ 121,594</u>	<u>\$ 5,498</u>
<b>Accumulated Depreciation:</b>			
Improvement of sites	\$ 21	\$ 13	\$ 8
Buildings and improvements	52,038	47,323	4,715
Equipment	1,421	1,400	21
	<u>\$ 53,480</u>	<u>\$ 48,736</u>	<u>\$ 4,744</u>
<b>Net Book Value:</b>			
Land	\$ 49	\$ 49	\$ -
Construction in progress	3,755	1,199	2,556
Improvement of sites	1,299	41	1,258
Buildings and improvements	67,526	70,809	(3,283)
Equipment	983	760	223
	<u>\$ 73,612</u>	<u>\$ 72,858</u>	<u>\$ 754</u>

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

### Long-Term Obligations

Of The District's \$99 million of general obligation bond authorization, it has issued \$45 million. This table provides a summary of the changes in long-term obligations for the year ended June 30, 2015. The increase shown is the result of the new issuance of general obligation bonds. Refer to Note 8 in the accompanying financial statements for additional information on long-term obligations.

<b>Los Gatos-Saratoga Joint Union High School District</b>			
<b>Outstanding Long-Term Debt at Year-End</b>			
(in thousands of dollars)			
	Total District <u>2015</u>	Total District <u>2014</u>	Total Changes
<b>Long-Term Debt Outstanding:</b>			
General Obligation Bonds	\$ 79,245	\$ 41,805	\$ 37,440
Unamortized Bond Premium	6,296	2,421	3,875
GOB Gain/Loss on Refunding	441	(209)	650
State School Building Loans	423	494	(71)
Accumulated Vacation	260	245	15
Capitalized Leases	11	42	(31)
Certificates of Participation	6,995	7,925	(930)
Unamortized COP Premium	195	226	(31)
COP Gain/Loss on Refunding	(58)	(66)	8
Other Postemployment Benefits	2,585	2,093	492
	<u>\$ 96,393</u>	<u>\$ 54,976</u>	<u>\$ 41,417</u>

### FACTORS BEARING ON THE DISTRICT'S FUTURE

In 2014-15, the State eliminated the revenue limit funding formula and implemented the Local Control Funding Formula (LCFF). For the District, this change has minimal or no effect because property taxes exceed the LCFF target and future property tax growth is expected to exceed the growth in the LCFF target for the short and long term.

#### Net Pension Liability (NPL)

The District implemented the provisions of GASB 68, which required the District to recognize its proportionate share of the unfunded pension liability. The District participates in both CalPERS and CalSTRS and therefore the aggregate net pension liability as of year-end was reflected on the financial statements in the amount of \$32.1 million.

# **LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2015**

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### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

The District is very fortunate to be a basic aid district and tracks the assessed valuation growth monthly in order to make conservative growth projections. This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the District's Business Officer, Greg Medici, at 408-402-6325, Los Gatos-Saratoga Joint Union High School District, 17421 Farley Road West, Los Gatos, CA 95030, or [gmedici@lgsuhd.org](mailto:gmedici@lgsuhd.org).

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2015

	<b>Governmental Activities</b>
<b>Assets</b>	
Deposits and investments	\$ 58,517,242
Receivables	1,457,108
Stores inventories	6,711
Capital assets not being depreciated	3,803,901
Capital assets, net of accumulated depreciation	69,807,308
<b>Total Assets</b>	<b>133,592,270</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Current year pension contribution	2,568,807
<b>Liabilities</b>	
Accounts payable	2,202,751
Interest payable	927,690
Current portion of long-term obligations other than pensions	10,453,576
Noncurrent portion of long-term obligations other than pensions	85,555,585
Aggregate net pension liability	32,179,924
<b>Total Liabilities</b>	<b>131,319,526</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred amounts on refunding	383,073
Difference between actual and expected rate of investment return	8,554,570
<b>Total Deferred Inflows of Resources</b>	<b>8,937,643</b>
<b>Net Position</b>	
Net investment in capital assets	19,317,993
Restricted for:	
Debt service	12,549,857
Capital projects	649,428
Food Services	11,252
Educational programs	128,811
Unrestricted	(36,753,433)
<b>Total Net Position</b>	<b>\$ (4,096,092)</b>

The accompanying notes are an integral part of these financial statements.

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position  Governmental Activities
<b>Governmental activities:</b>			
Instruction	\$ 32,120,668	\$ 2,263,396	\$ (29,857,272)
Instruction related activities:			
Supervision of instruction	1,229,810	71,961	(1,157,849)
Instructional library, media and technology	1,924,199	-	(1,924,199)
School site administration	1,716,846	-	(1,716,846)
Pupil services:			
Home-to-school transportation	433,510	58,249	(375,261)
Food services	823,548	-	(823,548)
All other pupil services	3,937,026	103,050	(3,833,976)
General administration:			
All other general administration	3,227,928	12,884	(3,215,044)
Plant services	6,465,000	5,247	(6,459,753)
Ancillary services	1,679,045	-	(1,679,045)
Community services	235,907	-	(235,907)
Enterprise services	202,128	-	(202,128)
Interest on long-term obligations	4,332,054	-	(4,332,054)
Other outgo	225,172	2,480,497	2,255,325
<b>Total Governmental-Type Activities</b>	<b>\$ 58,552,841</b>	<b>\$ 4,995,284</b>	<b>(53,557,557)</b>
General revenues and subventions:			
Property taxes, levied for general purposes			37,358,147
Property taxes, levied for debt service			11,152,769
Taxes levied for other specific purposes			2,598,376
Federal and State aid not restricted for specific purposes			1,395,338
Interest and investment earnings			143,237
Miscellaneous			2,001,764
<b>Subtotal, General Revenues</b>			<b>54,649,631</b>
<b>Change in net position</b>			<b>1,092,074</b>
Net Position - Beginning, as restated			(5,188,166)
Net Position - Ending			<b>\$ (4,096,092)</b>

The accompanying notes are an integral part of these financial statements.

**LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2015**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Deposits and investments	\$ 2,503,048	\$ 40,644,747	\$ 12,965,646	\$ 2,403,801	\$ 58,517,242
Receivables	1,316,700	56,928	13,063	70,417	1,457,108
Due from other funds	-	232,713	-	1,824	234,537
Stores inventories	-	-	-	6,711	6,711
<b>Total Assets</b>	<u>\$ 3,819,748</u>	<u>\$ 40,934,388</u>	<u>\$ 12,978,709</u>	<u>\$ 2,482,753</u>	<u>\$ 60,215,598</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Accounts payable	\$ 521,097	\$ 1,680,336	\$ -	\$ 1,318	\$ 2,202,751
Due to other funds	234,537	-	-	-	234,537
<b>Total Liabilities</b>	<u>755,634</u>	<u>1,680,336</u>	<u>-</u>	<u>1,318</u>	<u>2,437,288</u>
<b>Fund balances:</b>					
Nonspendable	11,700	-	-	7,911	19,611
Restricted	128,811	39,254,052	12,978,709	1,148,266	53,509,838
Committed	-	-	-	1,325,258	1,325,258
Unassigned	2,923,603	-	-	-	2,923,603
<b>Total Fund Balances</b>	<u>3,064,114</u>	<u>39,254,052</u>	<u>12,978,709</u>	<u>2,481,435</u>	<u>57,778,310</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 3,819,748</u>	<u>\$ 40,934,388</u>	<u>\$ 12,978,709</u>	<u>\$ 2,482,753</u>	<u>\$ 60,215,598</u>

The accompanying notes are an integral part of these financial statements.

**LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015**

<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 57,778,310</b>
<b>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</b>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 127,091,625	
Accumulated depreciation is	<u>(53,480,416)</u>	73,611,209
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.		2,568,807
In governmental funds, interest on long-term obligations is recognized in the period when it is paid. On the government-wide statements, interest on long-term obligations is recognized as it accrues.		(927,690)
The difference between projected and actual pension plan investment earnings are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		(8,554,570)
Long-term liabilities are not recognized on the governmental funds but are recorded on the statement of net position:		
Bonds payable	(79,245,000)	
Bond premium	(6,295,814)	
Bond deferred amount on refunding	(440,680)	
Certificates of participation	(6,995,000)	
COP premium	(194,976)	
COP deferred amount on refunding	57,607	
Capital leases payable	(10,792)	
OPEB obligations	(2,585,200)	
State school building loan	(422,613)	
Compensated absences (vacations)	(259,766)	
Net pension liability	<u>(32,179,924)</u>	
		<u>(128,572,158)</u>
<b>Total Net Position - Governmental Activities</b>		<b><u><u>\$ (4,096,092)</u></u></b>

The accompanying notes are an integral part of these financial statements.

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Local control funding formula	\$ 38,073,509	\$ -	\$ -	\$ -	\$ 38,073,509
Federal sources	1,042,142	-	-	-	1,042,142
Other state sources	2,284,394	-	44,892	-	2,329,286
Other local sources	4,980,554	821,267	11,142,593	803,416	17,747,830
<b>Total Revenues</b>	46,380,599	821,267	11,187,485	803,416	59,192,767
<b>EXPENDITURES</b>					
Current					
Instruction	28,452,341	-	-	-	28,452,341
Instruction related activities:					
Supervision of instruction	1,106,484	-	-	-	1,106,484
Instructional library, media and technology	1,727,154	-	-	-	1,727,154
School site administration	1,542,492	-	-	-	1,542,492
Pupil Services:					
Home-to school transportation	392,449	-	-	-	392,449
Food services	-	-	-	740,698	740,698
All other pupil services	3,534,235	-	-	-	3,534,235
General administration:					
All other general administration	2,872,293	-	-	-	2,872,293
Plant services	5,621,329	17,846	-	181,075	5,820,250
Facility acquisition and construction	233,321	5,381,824	-	-	5,615,145
Ancillary services	1,512,438	-	-	-	1,512,438
Community services	211,211	-	-	-	211,211
Other outgo	225,172	-	-	-	225,172
Enterprise services	-	-	-	183,282	183,282
Debt service					
Principal	-	-	6,195,000	1,031,999	7,226,999
Interest and other	11,029	1,102	1,227,459	303,798	1,543,388
<b>Total Expenditures</b>	47,441,948	5,400,772	7,422,459	2,440,852	62,706,031
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	(1,061,349)	(4,579,505)	3,765,026	(1,637,436)	(3,513,264)
<b>Other Financing Sources (Uses):</b>					
Transfers in	60,631	75,223	-	1,246,532	1,382,386
Other sources	-	43,320,678	2,837,547	-	46,158,225
Transfers out	(1,321,755)	-	-	(60,631)	(1,382,386)
<b>Net Financing Sources (Uses)</b>	(1,261,124)	43,395,901	2,837,547	1,185,901	46,158,225
<b>NET CHANGE IN FUND BALANCES</b>	(2,322,473)	38,816,396	6,602,573	(451,535)	42,644,961
<b>Fund Balances - Beginning</b>	5,386,587	437,656	6,376,136	2,932,970	15,133,349
<b>Fund Balances - Ending</b>	\$ 3,064,114	\$ 39,254,052	\$ 12,978,709	\$ 2,481,435	\$ 57,778,310

The accompanying notes are an integral part of these financial statements.

**LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015**

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<b>Total Net Change in Fund Balances - Governmental Funds</b>		<b>\$ 42,644,961</b>
<b>Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:</b>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, the costs are capitalized for the government-wide statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.		
This is the amount by which capital outlay exceeds depreciation in the period.		
Capital outlays	\$ 5,615,145	
Depreciation expense	<u>(4,838,313)</u>	776,832
Loss on disposal of capital assets is reported in the government-wide statement of net position, but is not recorded in the governmental funds.		(22,868)
In the statement of activities, certain operating expenses - compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (the amounts actually paid). Vacation amounts earned were more than the amounts used.		(14,813)
Repayment of state loan principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.		71,183
Proceeds received from sale of general obligation bonds, including advance refunding, is a revenue source in the governmental funds, but it increases long-term liabilities in the statement of net position and does not affect the statement of activities.		(73,550,000)
Refunded 2005 General Obligation Refunding Bonds is an other use in the governmental funds, but it reduces the long-term obligations in the statement of net assets.		28,550,000
Premium received from sale of general obligation bonds is a revenue source in the governmental funds, but it increases long-term liabilities in the statement of net position and does not affect the statement of activities.		(5,125,650)
Defeasance costs on refunding is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.		50,126

The accompanying notes are an integral part of these financial statements.

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES (Continued) FOR THE YEAR ENDED JUNE 30, 2015

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Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.	6,195,000
Repayment of capital lease principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.	30,816
Repayment of certificates of participation is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.	930,000
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.	(233,351)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is paid, 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. The additional interest expense reported in the governmental funds statements is the net result of these two factors.	(658,143)
Amortization of premium is not recorded in the governmental funds, but they impact the statement of activities.	1,282,686
Amortization of gain or loss on refunding is not recorded in the governmental funds, but is amortized over the life of the bond in the statement of activities.	657,437
Contributions to the retiree benefits fund are recorded as expenditures in the governmental funds when paid. However, the difference between the annual required contribution and the actual contribution made, if less, is recorded in the statement of activities as an expense. The actual amount of the contribution was less than the annual required contribution.	(492,142)
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 1,092,074</u></b>

The accompanying notes are an integral part of these financial statements.

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## FIDUCIARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2015

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	<u>Scholarship Trust</u>	<u>Agency Fund</u>
<b>Assets</b>		
Deposits and investments	\$ 392,887	\$ 1,566,624
Receivables	572	-
<b>Total Assets</b>	<u>393,459</u>	<u>\$ 1,566,624</u>
<b>Liabilities</b>		
Due to student groups	-	\$ 1,566,624
<b>Total Liabilities</b>	<u>-</u>	<u>\$ 1,566,624</u>
<b>Net Position</b>		
Restricted for scholarships	393,459	
<b>Total Net Position</b>	<u>\$ 393,459</u>	

The accompanying notes are an integral part of these financial statements.

**LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT**

**FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN NET POSITION  
JUNE 30, 2015**

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	<b>Scholarship Trust</b>
<b>ADDITIONS</b>	
Interest	<u>\$ 1,870</u>
<b>DEDUCTIONS</b>	
Scholarships	<u>5,000</u>
<b>Change in Net Position</b>	(3,130)
<b>Net Position - Beginning</b>	<u>396,589</u>
<b>Net Position - Ending</b>	<u><u>\$ 393,459</u></u>

The accompanying notes are an integral part of these financial statements.

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

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

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

#### Component Units

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

The Los Gatos-Saratoga Joint Union High School District Financing Corporation's financial activity is presented in the financial statements as the COP Debt Service Fund. Certificates of participation issued by the Corporation are included as long-term liabilities in the government-wide financial statements. Individually-prepared financial statements are not prepared for the Los Gatos-Saratoga Union High School District Financing Corporation.

#### Basis of Presentation - Fund Accounting

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

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### Governmental Funds

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

### Major Governmental Funds

**General Fund** The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

One fund currently defined as special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Special Reserve Fund for Other Than Capital Outlay Projects is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

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

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

### Other Non-Major Governmental Funds

**Adult Education Fund** The Adult Education Fund is used to account separately for local revenues for adult education programs and is committed to be expended for adult education purposes only.

**Cafeteria Fund** The Cafeteria Fund is used to account separately for local resources to operate the food service program (*Education Code* sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

**Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

**Retiree Benefits Fund** The Retiree Benefits Fund exists to account separately for funds committed for employees' retirement benefit payments. While the funds are committed by the governing board to pay for retiree benefits, the board has the ability to use these funds for general fund purposes.

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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**Capital Project Funds** The Capital Project funds are used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

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

**Debt Service Funds** The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term obligations.

**COP Debt Service Fund** - The COP Debt Service Fund is used to account for the interest and redemption of principal of Certificates of Participation.

**Fiduciary Funds** Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student body activities (ASB). Trust funds are used to account for the assets held by the District under a trust agreement for scholarships.

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

#### **Government-Wide Financial Statements**

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

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

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

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### Fund Financial Statements

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

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

**Fiduciary Funds** - Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting.

### Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within ninety days of fiscal year-end. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

### Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### **Expenses/Expenditures**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable and typically paid within 90 days. Principal and interest on general long-term obligations, which have not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the government-wide statements.

### **Deposits**

The District's cash is 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.

### **Investments**

Investments held at June 30, 2015, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in County are determined by the program sponsor.

### **Prepaid Items**

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when used.

### **Stores Inventories**

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

### **Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District as a whole. The District maintains a capitalization threshold of \$15,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

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

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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

### **Interfund Balances**

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

### **Compensated Absences**

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

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

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

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

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

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

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

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

In addition to assets, the statement of financial position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The District reports deferred outflows of resources for the current year pension contributions.

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the unamortized gain on the refunding of general obligation bonds and the difference between actual and expected rate of return on investments specific to the net pension liability.

### Pensions

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

### Fund Balances - Governmental Funds

As of June 30, 2015, fund balances of the governmental funds are classified as follows:

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

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

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

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

**Unassigned** - all other spendable amounts.

### Spending Order Policy

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

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than 4 percent of General Fund expenditures and other financing uses.

### Net Position

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

### Interfund Activity

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

### Estimates

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

### Budgetary Data

The budgetary process is prescribed by provisions of the California *Education Code* and requires the Board of Trustees to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District Board of Trustees satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

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

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### Property Tax

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

### Change in Accounting Principles

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. Statement No. 68 requires a state or local government employer to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer that arise from other types of events. The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by \$37,932,336. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources.

### New Accounting Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. 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 results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

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.

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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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.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2015, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 58,517,242
Fiduciary funds	1,959,511
Total Deposits and Investments	<u>\$ 60,476,753</u>

Deposits and investments as of June 30, 2015, consist of the following:

Cash on hand and in banks	\$ 1,572,358
Cash in revolving	12,900
Investments	58,891,495
Total Deposits and Investments	<u>\$ 60,476,753</u>

#### Policies and Practices

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

#### Investment in County Treasury

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

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

### General Authorizations

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

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

### Interest Rate Risk

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

The District monitors the interest rate risk inherent in its portfolio by measuring the maturity of its portfolio. Information about the maturity of the District's portfolio is presented in the following schedule:

Investment Type	Cost	Fair Value	Maturity
Money Market Mutual Funds	\$ 489,837	\$ 489,837	Not Applicable
County Pool	58,401,658	58,431,326	469 days
Total	<u>\$ 58,891,495</u>	<u>\$ 58,921,163</u>	

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measure by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Cost	S&P Rating as of Year End	
		AAA	Unrated
Money Market Mutual Funds	\$ 489,837	\$ 489,837	\$ -
County Pool	58,401,658	-	58,401,658
Total	\$ 58,891,495	\$ 489,837	\$ 58,401,658

### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2015, the District's was exposed to \$1,117,010 of custodial credit risk.

### NOTE 3 - RECEIVABLES AND DUE FROM OTHER GOVERNMENTS

Receivables and due from other governments at June 30, 2015, consist of the following:

	General	Building Fund	Bond Interest and Redemption	Non-Major Funds	Total
Federal Government					
Categorical aid	\$ 552,763	\$ -	\$ -	\$ -	\$ 552,763
State Government					
State principal apportionment	89,871	-	-	-	89,871
Categorical aid	14,526	-	-	-	14,526
Lottery	306,903	-	-	-	306,903
Local Government					
Interest	11,156	56,928	13,063	2,699	83,846
Other Local Sources	341,481	-	-	67,718	409,199
Total	\$ 1,316,700	\$ 56,928	\$ 13,063	\$ 70,417	\$ 1,457,108

All receivables are considered collectible in full.

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

### NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<b>Governmental Activities</b>				
Capital Assets not being depreciated:				
Land	\$ 48,953	\$ -	\$ -	\$ 48,953
Construction in Progress	1,198,692	3,754,948	1,198,692	3,754,948
Total Capital Assets not being depreciated	<u>1,247,645</u>	<u>3,754,948</u>	<u>1,198,692</u>	<u>3,803,901</u>
Capital Assets being depreciated:				
Land Improvements	54,440	1,265,603	-	1,320,043
Buildings and Improvements	118,131,851	1,432,013	-	119,563,864
Furniture and Equipment	2,159,932	361,273	117,388	2,403,817
Total Capital Assets being depreciated	<u>120,346,223</u>	<u>3,058,889</u>	<u>117,388</u>	<u>123,287,724</u>
Total Capital Assets	<u>121,593,868</u>	<u>6,813,837</u>	<u>1,316,080</u>	<u>127,091,625</u>
Less Accumulated Depreciation:				
Land Improvements	13,383	7,995	-	21,378
Buildings and Improvements	47,323,353	4,715,091	-	52,038,444
Furniture and Equipment	1,399,887	115,227	94,520	1,420,594
Total Accumulated Depreciation	<u>48,736,623</u>	<u>4,838,313</u>	<u>94,520</u>	<u>53,480,416</u>
Governmental Activities Capital Assets, Net	<u>\$ 72,857,245</u>	<u>\$ 1,975,524</u>	<u>\$ 1,221,560</u>	<u>\$ 73,611,209</u>

Depreciation expense was charged as a direct expense to governmental functions as follows:

<b>Governmental Activities</b>	
Instruction	\$ 2,839,023
Supervision of instruction	111,498
Instructional library, media, and technology	176,968
School site administration	154,615
Home-to-school transportation	40,353
Food services	76,162
All other pupil services	353,545
All other general administration	293,183
Plant services	598,464
Ancillary services	153,938
Community services	21,718
Enterprise	18,846
Total Depreciation Expense Governmental Activities	<u>\$ 4,838,313</u>

**LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**NOTE 5 - INTERFUND TRANSACTIONS**

**Operating Transfers**

Interfund transfers for the year ended June 30, 2015, consisted of the following:

Transfer Out	Transfer In			Total
	General	Building	Non-Major Governmental	
General	\$ -	\$ 75,223	\$ 1,246,532	\$ 1,321,755
Non-Major Governmental	60,631	-	-	60,631
Total	\$ 60,631	\$ 75,223	\$ 1,246,532	\$ 1,382,386

The Adult Education Fund transferred money to the General Fund to close out the Adult Education Fund.	\$ 60,631
The General Fund contributed money to the Cafeteria Fund to meet the expenditure requirements of the food service program.	148,669
The General Fund contributed money to the Deferred Maintenance Fund to meet the expenditure requirements of the Deferred Maintenance Fund.	175,000
The General Fund transferred to the Building Fund to restore fund balance after the board approved forgiveness of a receivable.	75,223
Contribution from the General Fund to the Special Reserve Capital Facilities Fund to make certificate of participation payment.	922,863
Total	<u>\$ 1,382,386</u>

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

Interfund Receivables/Payables (Due to/Due from) for the year ended June 30, 2015, consisted of the following:

	Due From		
	Building	Non-Major Governmental	Total
Due To General	\$ 232,713	\$ 1,824	\$ 234,537

**NOTE 6 - DEFERRED OUTFLOWS OF RESOURCES FOR PENSIONS**

Deferred outflows of resources are a consumption of net position by the District that is applicable to a future reporting period. The changes in the District's deferred outflow of resources during the year consisted of the following:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Deferred outflow from pension contributions	\$ 2,301,381	\$ 2,568,807	\$ 2,301,381	\$ 2,568,807

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

### NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2015, consisted of the following:

	General	Building	Non-Major Governmental	Total
Vendor payables	\$ 515,238	\$ 1,680,336	\$ 1,318	\$ 2,196,892
State principal apportionment	5,859	-	-	5,859
Total	<u>\$ 521,097</u>	<u>\$ 1,680,336</u>	<u>\$ 1,318</u>	<u>\$ 2,202,751</u>

### NOTE 8 - LONG-TERM OBLIGATIONS

#### Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due in One Year
General obligation bonds	\$ 41,805,000	\$ 72,185,000	\$ 34,745,000	\$ 79,245,000	\$ 8,925,000
Unamortized bond premium	2,421,402	5,125,650	1,251,238	6,295,814	674,105
Office of public school construction loan	493,796	-	71,183	422,613	77,230
Certificates of participation	7,925,000	-	930,000	6,995,000	735,000
Unamortized COP premium	226,424	-	31,448	194,976	31,448
Accumulated vacation	244,953	14,813	-	259,766	-
Capital leases	41,608	-	30,816	10,792	10,793
Other postemployment benefits	2,093,058	675,424	183,282	2,585,200	-
	<u>\$ 55,251,241</u>	<u>\$ 78,000,887</u>	<u>\$ 37,242,967</u>	<u>\$ 96,009,161</u>	<u>\$ 10,453,576</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund from a separate property tax override and, thus, do not require the use of general revenues. Payments for the Certificates of Participation are made from the related Debt Service Fund, Capital Facilities Fund, and the Special Reserve for Capital Fund. Payments on capital leases are made by the General Fund. The accrued vacation and other postemployment benefits will be paid by the fund for which the employee worked.

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

The deferred amount on refunding of \$383,073 consisted of the following:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Deferred amount on bond refunding	\$ (208,643)	\$ -	\$ (649,323)	\$ 440,680
Deferred amount on COP refunding	(65,721)	-	(8,114)	(57,607)
	<u>\$ (274,364)</u>	<u>\$ -</u>	<u>\$ (657,437)</u>	<u>\$ 383,073</u>

### Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest	Original Issue	Bonds Outstanding July 1, 2014	Issued	Redeemed	Bonds Outstanding June 30, 2015
2005	2020	3.00-5.25%	\$ 46,765	\$ 33,110,000	\$ -	\$ 33,110,000	\$ -
2012	2023	2.00-3.00%	9,785,000	8,695,000	-	710,000	7,985,000
2014	2044	2.00-5.00%	45,000,000	-	45,000,000	-	45,000,000
2014	2019	2.00-4.00%	27,185,000	-	27,185,000	925,000	26,260,000
				<u>\$ 41,805,000</u>	<u>\$ 72,185,000</u>	<u>\$ 34,745,000</u>	<u>\$ 79,245,000</u>

### Debt Service Requirements to Maturity

The bonds mature through 2045 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	\$ 8,925,000	\$ 2,895,825	\$ 11,820,825
2017	9,330,000	2,662,950	11,992,950
2018	7,125,000	2,380,500	9,505,500
2019	7,830,000	2,081,400	9,911,400
2020	4,295,000	1,838,900	6,133,900
2021-2025	5,060,000	8,211,450	13,271,450
2026-2030	3,390,000	7,355,750	10,745,750
2031-2035	6,480,000	6,234,000	12,714,000
2036-2040	10,695,000	4,367,500	15,062,500
2041-2045	16,115,000	1,711,100	17,826,100
Total	<u>\$ 79,245,000</u>	<u>\$ 39,739,375</u>	<u>\$ 118,984,375</u>

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

### Office of Public Schools Construction Loan

In May 2008, the Los Gatos-Saratoga Joint Union High School District Financing Corporation issued a note payable to the Office of Public Schools Construction in the amount of \$761,916 with interest rates set at 4.161% to be repaid over ten years commencing in 2012. As of the fiscal year ended June 30, 2011, the District has received 100% of the agreed upon amount.

The outstanding Office of Public Schools Construction loan is as follows:

Year Disbursed	Interest Rate	Balance July 1, 2014	Repayment and State Credit Current Year	Outstanding June 30, 2015
2008	4.161%	\$ 493,796	\$ 71,183	\$ 422,613

### Certificates of Participation

On August 1, 2008, the District issued two certificates of participation (COP) totaling \$7,070,000. These certificates of participation were issued to finance the cost of a high school technology project, school sports facilities improvements, and construction of administrative and commercial office space. The first COP, totaling \$4,770,000 matures on November 1, 2023 and yields interest between 4.0 and 5.0 percent. Interest on this COP is first payable on May 1, 2009 and semiannually thereafter on May 1<sup>st</sup> and November 1<sup>st</sup> of each year. Principal payments are first due November 1, 2014 and every November 1st thereafter. The second COP, totaling \$2,300,000 matured on November 1, 2014 and yielded interest between 4.6 and 5.375 percent. As of June 30, 2015 the principal outstanding for the COP was \$4,715,000

On October 18, 2012, the District issued refunding certificates of participation in the amount of \$2,845,000 with interest ranging from 2.0 to 5.0 percent to refund \$2,950,000 of outstanding 2001 certificates of participation. As of June 30, 2015 the principal outstanding was \$2,280,000.

The certificates mature through 2024 as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 735,000	\$ 279,838	\$ 1,014,838
2017	765,000	252,988	1,017,988
2018	795,000	225,038	1,020,038
2019	820,000	193,613	1,013,613
2020	855,000	158,488	1,013,488
2021-2024	3,025,000	261,979	3,286,979
Total	<u>\$ 6,995,000</u>	<u>\$ 1,371,944</u>	<u>\$ 8,366,944</u>

### Accumulated Vacation

The long-term portion of accumulated vacation for the District at June 30, 2015 amounted to \$259,766.

**LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**Capital leases**

The District's future minimum lease payments for leased equipment consists of \$10,792 of principal and \$134 of interest due as of June 30, 2016.

**NOTE 9 - FUND BALANCES**

Fund balances are composed of the following elements:

	General	Building Fund	Bond Interest and Redemption	Non-Major Governmental	Total
<b>Nonspendable</b>					
Revolving cash	\$ 11,700	\$ -	\$ -	\$ 1,200	\$ 12,900
Stores inventory	-	-	-	6,711	6,711
Total Nonspendable	<u>11,700</u>	<u>-</u>	<u>-</u>	<u>7,911</u>	<u>19,611</u>
<b>Restricted</b>					
Legally restricted programs	128,811	-	-	-	128,811
Capital projects	-	39,254,052	-	649,428	39,903,480
Debt service	-	-	12,978,709	498,838	13,477,547
Total Restricted	<u>128,811</u>	<u>39,254,052</u>	<u>12,978,709</u>	<u>1,148,266</u>	<u>53,509,838</u>
<b>Committed</b>					
Deferred maintenance program	-	-	-	126,349	126,349
Cafeteria operation	-	-	-	3,341	3,341
OPEB	-	-	-	1,195,568	1,195,568
Total Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,325,258</u>	<u>1,325,258</u>
<b>Unassigned</b>					
	2,923,603	-	-	-	2,923,603
Total	<u>\$ 3,064,114</u>	<u>\$ 39,254,052</u>	<u>\$ 12,978,709</u>	<u>\$ 2,481,435</u>	<u>\$ 57,778,310</u>

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

#### Plan Description

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Los Gatos Saratoga Joint Union High School District. The Plan provides medical, dental and vision insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of 42 retirees and beneficiaries currently receiving benefits, and 265 active plan members as of most recent actuarial evaluation performed. The District offers retiree health care benefits at District expense as follows:

- Classified employees hired are eligible for benefits along with their spouses and dependents at age 55 with 10 years of full time service.
- Certificated employees hired before July 1, 2006 are eligible for benefits for the employee plus one dependent benefits at age 58 with 10 years of service.
- Certificated Employees hired on or after July 1, 2006 are eligible for benefits for the employee plus one dependent at age 58 with 20 years of service.
- Management employees are eligible for benefits after 10 year of service at age 55.
- The benefits are paid at 75% by the District and 25% by the employee but the District paid benefits increase from 75% to 100% from age 55 to age 60.

#### Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and the represented and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2014-2015, the District contributed \$183,282 to the plan, all of which was used for current premiums (100 percent of total premiums).

#### Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 675,424
Contributions made	183,282
Increase in net OPEB obligation	<u>492,142</u>
Net OPEB obligation, beginning of year	<u>2,093,058</u>
Net OPEB obligation, end of year	<u><u>\$ 2,585,200</u></u>

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

The annual OPEB cost, the percentage of annual OPEB cost contribution to the Plan, and net OPEB obligation was as follows:

Year Ended June 30,	Annual OPEB Cost	Amount Contributed	Percentage Contributed	Net OPEB Asset/Obligation
2015	\$ 675,424	\$ 183,282	27.14%	\$ 2,585,200
2014	845,132	288,339	34.12%	2,093,058
2013	794,714	263,456	33.15%	1,536,265

### Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Below is a summary of the funded status of the plan for the most recent actuarial valuation.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry age normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
9/1/2014	\$ -	\$ 3,863,262	\$ 3,863,262	0.00%	\$ 28,331,598	13.64%

### Actuarial Methods and Assumptions

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

In the September 1, 2014 actuarial valuation, the Entry Age Normal method was used. The actuarial assumptions included a four and a half percent investment rate of return (net of administrative expenses). Healthcare cost trend rates were estimated at an average of four percent. The UAAL is being amortized at a level percentage of payroll method on a closed basis. The remaining amortization period at 2015, was 25 years.

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### NOTE 11 - RISK MANAGEMENT

#### Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2015, the District participated in the South Bay Area Schools' Insurance Authority (SBASIA) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

#### Workers' Compensation

For fiscal year 2015, the District participated in the Santa Clara County Schools' Insurance Group (SCCSIG) and South Bay Area Schools' Insurance Authority (SBASIA), insurance purchasing pools. The intent of the SCCSIG and SBASIA are to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the SCCSIG and SBASIA. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the SCCSIG. Each participant pays its workers' compensation premium based on its individual rate. Total savings for both agencies are then calculated and each participant's individual performance is compared to the overall savings. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the agencies. Participation in the agencies is limited to districts that can meet their selection criteria.

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

<u>Insurance Program / Company Name</u>	<u>Type of Coverage</u>	<u>Limits</u>
Santa Clara County Schools' Insurance Group	Workers' Compensation	Statutory
South Bay Area Schools' Insurance Authority	Liability	\$ 35,000,000
	Property	1,000,000,000
	Crime	1,000,000

### NOTE 12 - EMPLOYEE RETIREMENT SYSTEMS

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

The District implemented GASB Statements No. 68 and No. 71 for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

**LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflow of Resources	Proportionate Share of Deferred Inflow of Resources	Proportionate Share of Pension Expense
CalSTRS	\$ 25,705,965	\$ 1,836,512	\$ 6,330,045	\$ 2,219,255
CalPERS	6,473,959	732,295	2,224,525	575,403
Total	<u>\$ 32,179,924</u>	<u>\$ 2,568,807</u>	<u>\$ 8,554,570</u>	<u>\$ 2,794,658</u>

Pension expense was allocated in the statement of activities to instruction and instructional related, administration and other expenses in the amounts of \$2,003,449, \$752,365 and \$38,844, respectively.

The details of each plan are as follows:

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

**Plan Description**

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

**Benefits Provided**

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

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

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

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

The STRP provisions and benefits in effect at June 30, 2015, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required state contribution rate	5.95%	5.95%

### Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the District's total contributions were \$1,836,512

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

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$ 25,705,965
State's proportionate share of the net pension liability associated with the District	15,522,372
Total	<u>\$ 41,228,337</u>

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.0706 percent.

**LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

For the year ended June 30, 2015, the District recognized pension expense of \$298,801 and revenue of \$298,801 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,836,512	\$ -
Net differences between projected and actual earnings on plan investments	-	6,330,045
Total	<u>\$ 1,836,512</u>	<u>\$ 6,330,045</u>

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 1,582,511
2017	1,582,511
2018	1,582,511
2019	1,582,512
Total	<u>\$ 6,330,045</u>

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary' investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independently from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%
	<u>100%</u>	

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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### Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 40,068,877
Current discount rate (7.60%)	\$ 25,705,965
1% increase	\$ 13,729,907

### California Public Employees Retirement System (CalPERS)

#### Plan Description

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

A full description of the pension plan(s) regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2013 annual actuarial valuation report, Schools Pool Actuarial Valuation 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

### Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2015, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

### 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. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the total District contributions were \$732,295.

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$6,473,959. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.0570 percent.

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

For the year ended June 30, 2015, the District recognized pension expense of \$575,403. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 732,295	\$ -
Net differences between projected and actual earnings on plan investments	-	2,224,525
Total	<u>\$ 732,295</u>	<u>\$ 2,224,525</u>

The deferred outflow of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The deferred inflow of resources will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2016	\$ 556,131
2017	556,131
2018	556,131
2019	556,132
Total	<u>\$ 2,224,525</u>

### Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2013, and rolling forward the total pension liability to June 30, 2014. The financial reporting actuarial valuation as of June 30, 2013, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.50%
Investment rate of return	7.50%
Consumer price inflation	2.75%
Wage growth	3.00%

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 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 target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%
	<u>100%</u>	

### **Discount Rate**

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2015**

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

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.50%)	\$ 11,356,802
Current discount rate (7.50%)	\$ 6,473,959
1% increase (8.50%)	\$ 2,393,851

### **On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$1,041,281 (5.679 percent of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

### **Social Security**

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

## **NOTE 13 - COMMITMENTS AND CONTINGENCIES**

### **Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

### **Litigation**

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2015.

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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### NOTE 14 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES

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

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

During the year ended June 30, 2015, the District made the following payments:

South Bay Area Schools' Insurance Authority	\$ 190,940
Santa Clara County Schools' Insurance Group	408,324
	<u>\$ 599,264</u>

### NOTE 15 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

#### Statement of Net Position

Net Position - Beginning	\$ 32,744,170
Restatement/pension liability	(37,932,336)
Net Position - Beginning as Restated	<u>\$ (5,188,166)</u>

***REQUIRED SUPPLEMENTARY INFORMATION***

**LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT**

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variances -</b>
	<b>Original</b>	<b>Final</b>	<b>(Non GAAP Basis)</b>	<b>Positive</b>
				<b>(Negative)</b>
				<b>Final</b>
				<b>to Actual</b>
<b>REVENUES</b>				
Local control funding formula	\$ 38,251,895	\$ 38,028,960	\$ 38,073,509	\$ 44,549
Federal sources	670,000	1,016,469	1,042,142	25,673
Other state sources	786,332	1,162,377	1,243,113	80,736
Other local sources	3,600,000	4,550,837	4,966,271	415,434
<b>Total Revenues</b>	<b>43,308,227</b>	<b>44,758,643</b>	<b>45,325,035</b>	<b>566,392</b>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	19,914,731	20,323,271	20,766,628	(443,357)
Classified salaries	6,954,917	7,187,973	7,236,985	(49,012)
Employee benefits	8,080,884	9,025,979	9,066,033	(40,054)
Books and supplies	1,700,552	1,888,864	2,313,526	(424,662)
Services and operating expenditures	5,213,833	5,644,324	6,469,914	(825,590)
Other outgo	25,615	59,899	225,172	(165,273)
Capital outlay	-	225,172	311,380	(86,208)
<b>Total Expenditures</b>	<b>41,890,532</b>	<b>44,355,482</b>	<b>46,400,667</b>	<b>(2,034,156)</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>1,417,695</b>	<b>403,161</b>	<b>(1,075,632)</b>	<b>(1,467,764)</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	60,631	60,631
Transfers out	(1,685,000)	(1,264,892)	(1,321,755)	(56,863)
<b>Net Financing Sources (Uses)</b>	<b>(1,685,000)</b>	<b>(1,264,892)</b>	<b>(1,261,124)</b>	<b>3,768</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(267,305)</b>	<b>(861,731)</b>	<b>(2,336,756)</b>	<b>(1,463,996)</b>
<b>Fund Balance - Beginning</b>	<b>2,268,255</b>	<b>2,268,255</b>	<b>2,268,255</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 2,000,950</b>	<b>\$ 1,406,524</b>	<b>(68,501)</b>	<b>\$ (1,463,996)</b>
Special Reserve for other than Capital Outlay Fund			3,132,615	
Fund Balance - Ending, GAAP Basis			<b>\$ 3,064,114</b>	

\* On Behalf payments of \$1,041,281 have been excluded from the revenues and expenditures in the budgeted and actual columns.

**LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING  
PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2015**

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry age normal (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
9/1/2014	\$ -	\$ 3,863,262	\$ 3,863,262	0.00%	\$ 28,331,598	13.64%
2/1/2012	-	4,561,630	4,561,630	0.00%	23,872,789	19.11%
2/1/2010	-	3,615,987	3,615,987	0.00%	23,723,769	15.24%

**LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET  
PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2015**

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	<u>2015</u>
<b>CalSTRS</b>	
District's proportion of the net pension liability	<u>0.0440%</u>
District's proportionate share of the net pension liability	\$ 25,705,965
State's proportionate share of the net pension liability associated with the District	<u>15,522,372</u>
Total	<u>\$ 41,228,337</u>
District's covered - employee payroll	<u>\$ 19,338,506</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>133%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>77%</u>
 <b>CalPERS</b>	
District's proportion of the net pension liability	<u>0.0570%</u>
District's proportionate share of the net pension liability	<u>\$ 6,473,959</u>
District's covered - employee payroll	<u>\$ 5,935,341</u>
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	<u>109%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83%</u>

**LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2015**

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	<u>2015</u>
<b>CalSTRS</b>	
Contractually required contribution	\$ 1,836,512
Contributions in relation to the contractually required contribution	<u>1,836,512</u>
Contribution deficiency (excess)	<u>\$ 3,673,024</u>
District's covered - employee payroll	<u>\$ 19,338,506</u>
Contributions as a percentage of covered - employee payroll	<u>9%</u>
 <b>CalPERS</b>	
Contractually required contribution	\$ 732,295
Contributions in relation to the contractually required contribution	<u>732,295</u>
Contribution deficiency (excess)	<u>\$ 1,464,590</u>
District's covered - employee payroll	<u>\$ 5,935,341</u>
Contributions as a percentage of covered - employee payroll	<u>25%</u>

***SUPPLEMENTARY INFORMATION***

**LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education (CDE):			
Title I - Basic	84.010	14981	\$ 152,558
Special Education Cluster			
Basic Local Assistance	84.027	13379	531,609
Mental Health Allocation	84.027A	14468	217,229
Workability II Transitions Partnership	84.158	10006	55,666
Technology II C, Section 131	84.048	14894	37,490
Title II Teacher Quality	84.367	14341	35,117
Title IV Safe and Drug Free Schools and Communities	84.186	14347	5,886
Title V Innovative Education Strategies	84.298A	14354	6,587
Total Expenditures of Federal Awards			<u>\$ 1,042,142</u>

See accompanying note to supplementary information.

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2015

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### ORGANIZATION

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

### GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Doug Ramezane	President	2018
Cynthia Chang	Vice President	2018
Rosemary Rossi	Clerk	2016
Katherine Tseng	Member	2016
Robin Mano	Member	2018

### ADMINISTRATION

<u>NAME</u>	<u>TITLE</u>
Bob Mistele	Superintendent/ Board Secretary
Greg Medici	Chief Business Officer

See accompanying note to supplementary information.

**LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2015**

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	<u>Second Period Report</u>	<u>Annual Report</u>
SECONDARY		
Regular classes - Ninth through twelfth	3,157.95	3,151.98
Extended year special education	0.65	0.65
Special education - nonpublic	8.50	7.73
Extended year special education - nonpublic	1.02	1.02
Total Secondary	<u>3,168.12</u>	<u>3,161.38</u>

See accompanying note to supplementary information.

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2015

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Grade Level	1986-87	Reduced	2014-15 Actual Minutes	Number of Days		Status
	Minutes Requirement	1986-87 Minutes Requirements		Traditional	Calendar	
Grade 9	64,800	63,000	65,580	180	Complied	
Grade 10	64,800	63,000	65,580	180	Complied	
Grade 11	64,800	63,000	65,580	180	Complied	
Grade 12	64,800	63,000	65,580	180	Complied	

See accompanying note to supplementary information.

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	General Fund	Special Reserve Fund
Balances, June 30 2015, Unaudited Actual	\$ (68,501)	\$ 3,132,615
Combining Special Reserve Fund to General Fund on the financial statements	3,132,615	(3,132,615)
Balances, June 30 2015, Audited Financial Statement	<u>\$ 3,064,114</u>	<u>\$ -</u>

See accompanying note to supplementary information.

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015

	(Budget) 2016 <sup>1</sup>	2015	2014	2013
GENERAL FUND <sup>4</sup>				
Revenues	\$ 47,670,311	\$ 45,325,035	\$ 43,400,725	\$ 40,880,578
Other sources and transfer in	-	60,631	-	-
Total Revenues and Other Sources	47,670,311	45,385,666	43,400,725	40,880,578
Expenditures	46,168,044	46,400,667	42,001,483	39,329,247
Other uses and transfers out	1,304,933	1,321,755	1,795,000	1,680,000
Total Expenditures and Other Uses	47,472,977	47,722,422	43,796,483	41,009,247
INCREASE (DECREASE) IN FUND BALANCE	\$ 197,334	\$ (2,336,756)	\$ (395,758)	\$ (128,669)
ENDING FUND BALANCE	\$ 128,833	\$ (68,501)	\$ 2,268,255	\$ 2,664,013
AVAILABLE RESERVES <sup>2</sup>	\$ 3,136,616	\$ 2,923,603	\$ 4,695,972	\$ 4,835,463
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO <sup>3</sup>	6.61%	6.13%	10.72%	11.79%
LONG-TERM OBLIGATIONS	\$ 117,735,509	\$ 128,189,085	\$ 55,251,241	\$ 59,432,999
AVERAGE DAILY ATTENDANCE AT P-2	3,165	3,168	3,135	3,110

The General Fund balance has decreased by \$2,732,514 over the past two years. The fiscal year 2015-2016 budget projects an increase of \$197,334. For a district this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

Total long-term obligations have increased by \$68,756,086 over the past two years. Average daily attendance has increased by 58 ADA over the past two years.

<sup>1</sup> Budget 2016 is included for analytical purposes only and has not been subjected to audit.

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

<sup>3</sup> On-behalf payments of \$1,041,281, \$1,071,547, and \$948,985, have been excluded from this schedule for fiscal years ending June 30, 2015, 2014 and 2013, respectively.

<sup>4</sup> General Fund amounts do not include activity related to the consolidation of the Special Reserve Fund for other than Capital Outlay, as required by GASB Statement No. 54.

See accompanying note to supplementary information.

**LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2015**

	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>	<b>Capital Facilities Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 4,783	\$ 126,214	\$ 581,314
Receivables	1	135	68,610
Due from other funds	-	-	566
Stores inventories	6,711	-	-
<b>Total assets</b>	<u>\$ 11,495</u>	<u>\$ 126,349</u>	<u>\$ 650,490</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 243	\$ -	\$ 1,062
<b>Fund Balances:</b>			
Nonspendable	7,911	-	-
Restricted	-	-	649,428
Committed	3,341	126,349	-
<b>Total fund balances</b>	<u>11,252</u>	<u>126,349</u>	<u>649,428</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 11,495</u>	<u>\$ 126,349</u>	<u>\$ 650,490</u>

See accompanying note to supplementary information.

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<b>Special Reserve Capital Outlay Fund</b>	<b>COP Debt Service Fund</b>	<b>Retiree Benefits Fund</b>	<b>Non-Major Governmental Funds</b>
\$ -	\$ 498,838	\$ 1,192,652	\$ 2,403,801
-	-	1,671	70,417
13	-	1,245	1,824
-	-	-	6,711
<u>\$ 13</u>	<u>\$ 498,838</u>	<u>\$ 1,195,568</u>	<u>\$ 2,482,753</u>
\$ 13	\$ -	\$ -	\$ 1,318
-	-	-	7,911
-	498,838	-	1,148,266
-	-	1,195,568	1,325,258
<u>-</u>	<u>498,838</u>	<u>1,195,568</u>	<u>2,481,435</u>
<u>\$ 13</u>	<u>\$ 498,838</u>	<u>\$ 1,195,568</u>	<u>\$ 2,482,753</u>

**LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Adult Education Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>
<b>REVENUES</b>			
Other local sources	\$ -	\$ 594,062	\$ 307
<b>EXPENDITURES</b>			
Pupil services:			
Food services	-	740,698	-
General administration:			
Plant services	-	-	175,000
Enterprise services	-	-	-
Debt services:			
Principal	-	-	-
Interest and other	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>740,698</b>	<b>175,000</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>-</b>	<b>(146,636)</b>	<b>(174,693)</b>
<b>Other Financing Sources (Uses):</b>			
Transfers in	-	148,669	175,000
Transfers out	(60,631)	-	-
<b>Net Financing Sources (Uses)</b>	<b>(60,631)</b>	<b>148,669</b>	<b>175,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(60,631)</b>	<b>2,033</b>	<b>307</b>
<b>Fund Balances - Beginning</b>	<b>60,631</b>	<b>9,219</b>	<b>126,042</b>
<b>Fund Balances - Ending</b>	<b>\$ -</b>	<b>\$ 11,252</b>	<b>\$ 126,349</b>

See accompanying note to supplementary information.

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<b>Capital Facilities Fund</b>	<b>Special Reserve Capital Fund</b>	<b>COP Debt Service Fund</b>	<b>Retiree Benefits Fund</b>	<b>Non-Major Governmental Funds</b>
\$ 202,607	\$ -	\$ -	\$ 6,440	\$ 803,416
-	-	-	-	740,698
6,062	13	-	-	181,075
-	-	-	183,282	183,282
101,999	875,000	55,000	-	1,031,999
80,991	47,850	174,957	-	303,798
<u>189,052</u>	<u>922,863</u>	<u>229,957</u>	<u>183,282</u>	<u>2,440,852</u>
13,555	(922,863)	(229,957)	(176,842)	(1,637,436)
-	922,863	-	-	1,246,532
-	-	-	-	(60,631)
-	<u>922,863</u>	<u>-</u>	<u>-</u>	<u>1,185,901</u>
13,555	-	(229,957)	(176,842)	(451,535)
635,873	-	728,795	1,372,410	2,932,970
<u>\$ 649,428</u>	<u>\$ -</u>	<u>\$ 498,838</u>	<u>\$ 1,195,568</u>	<u>\$ 2,481,435</u>

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015

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### NOTE 1 - PURPOSE OF SCHEDULES

#### **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 the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

#### **Local Education Agency Organization Structure**

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

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

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

#### **Schedule of Instructional Time**

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

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

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

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

#### **Schedule of Financial Trends and Analysis**

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

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

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

***INDEPENDENT AUDITOR'S REPORTS***



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Los Gatos-Saratoga Joint Union High School District (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Los Gatos-Saratoga Joint Union High School District's basic financial statements, and have issued our report thereon dated November 30, 2015. As discussed in Note 1 and Note 12 to the financial statements, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

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

## **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.

Vavrinck, Trinc, Day & Co. LLP

Palo Alto, California  
November 30, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

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

We have audited Los Gatos-Saratoga Joint Union High School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Los Gatos-Saratoga Joint Union High School District's (District) major federal programs for the year ended June 30, 2015. 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2015.

## 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 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vavrinch, Trinc, Day & Co. LLP

Palo Alto, California  
November 30, 2015



## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

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

### **Report on State Compliance**

We have audited Los Gatos-Saratoga Joint Union High School District's (District) compliance with the types of compliance requirements as identified in the *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the District's State government programs as noted below for the year ended June 30, 2015.

### ***Management's Responsibility***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit 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 *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards 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 the applicable government programs noted below. 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 opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2015.

***Other Matters***

In connection with the 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>Procedures Performed</u>
Attendance Accounting:	
Attendance Reporting	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No, see below
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	No, see below
Regional Occupational Centers or Programs Maintenance of Effort	No, see below
Adult Education Maintenance of Effort	No, see below
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Charter Schools:	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

The District does not offer a Kindergarten Continuance Program, Independent Study Program, Continuation Education Program, Early Retirement Incentive Program, any Juvenile Court Schools, a K-3 Grade Span Adjustment Program, Transportation Maintenance of Effort Program, Regional Occupational Centers or Programs Maintenance of Effort Program, Adult Education Maintenance of Effort Program, any After School Education and Safety Programs, or Charter School Programs, therefore we did not perform procedures related to the Kindergarten Continuance Program, Independent Study Program, Continuation Education Program, Early Retirement Incentive Program, any Juvenile Court Schools, a K-3 Grade Span Adjustment Program, Transportation Maintenance of Effort Program, Regional Occupational Centers or Programs Maintenance of Effort Program, Adult Education Maintenance of Effort Program, any After School Education and Safety Programs, or Charter School Programs.

*Vavrinck, Trine, Day & Co. LLP*

Palo Alto, California  
November 30, 2015

***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

**LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT**

**SUMMARY OF AUDITOR’S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**FINANCIAL STATEMENTS**

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies?	<u>No</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditor's report issued on compliance for major federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with of OMB Circular A-133?, Section .510(a)	<u>No</u>
Identification of major federal programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027, 84.027A</u>	<u>Special Education Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Type of auditor's report issued on compliance for all state programs:	<u>Unmodified</u>
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**LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

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None reported.

**LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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None reported.

**LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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None reported.

# LOS GATOS-SARATOGA JOINT UNION HIGH SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2015

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Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

### *Financial Statement Findings*

2014-1 Code 3000

#### *Internal Control*

##### **Finding**

Improper segregation of duties exists in the cafeteria receipts process. The cafeteria managers at both Los Gatos High School and Saratoga High School collect and reconcile cash received for the meals sold at those two sites. Improper segregation of duties exposes the District's assets to the risk of misappropriation and lack of accountability

##### **Recommendation**

The District should engage a different individual to perform the reconciliation of cash deposited into the bank to the sales activities' records to ensure all cash collected for meals sold was properly deposited into the bank.

##### **Current Status**

Implemented.

### *Federal Awards Findings*

None reported.

### *State Awards Findings*

None reported.