PORTOLA VALLEY
SCHOOL DISTRICT
COUNTY OF SAN MATEO
PORTOLA VALLEY, CALIFORNIA

AUDIT REPORT

JUNE 30, 2015

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

PORTOLA VALLEY SCHOOL DISTRICT
SAN MATEO COUNTY

TABLE OF CONTENTS

PORTOLA VALLEY SCHOOL DISTRICT
SAN MATEO COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION

Chavan & Associates, LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Portola Valley School District
Portola Valley, 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 Portola Valley School District (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Portola Valley School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Portola Valley School District's 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Standards and Procedures for Audits of California K-12 Local Educational Agencies*, prescribed in the California Code of Regulations, Title 5, Section 19810 and following. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

1475 Saratoga Ave, Suite 180, San Jose, CA 95129
Tel: 408-217-8749 • E-Fax: 408-872-4159
info@cnallp.com • www.cnallp.com

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 Portola Valley School District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Portola Valley School District's basic financial statements. The combining and individual nonmajor fund financial statements and the other information listed in the supplementary section of the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other schedules listed in the supplementary section of the table of contents 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 combining and individual nonmajor fund financial statements and other schedules listed in the supplementary section of the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

1475 Saratoga Ave, Suite 180, San Jose, CA 95129
Tel: 408-217-8749 • E-Fax: 408-872-4159
info@cnallp.com • www.cnallp.com

New Accounting Principles

As discussed in Notes 1 and 10 to the financial statements, the District adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective June 30, 2015 and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2015 on our consideration of Portola Valley School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Portola Valley School District's internal control over financial reporting and compliance.

C & A LLP

December 10, 2015
San Jose, California

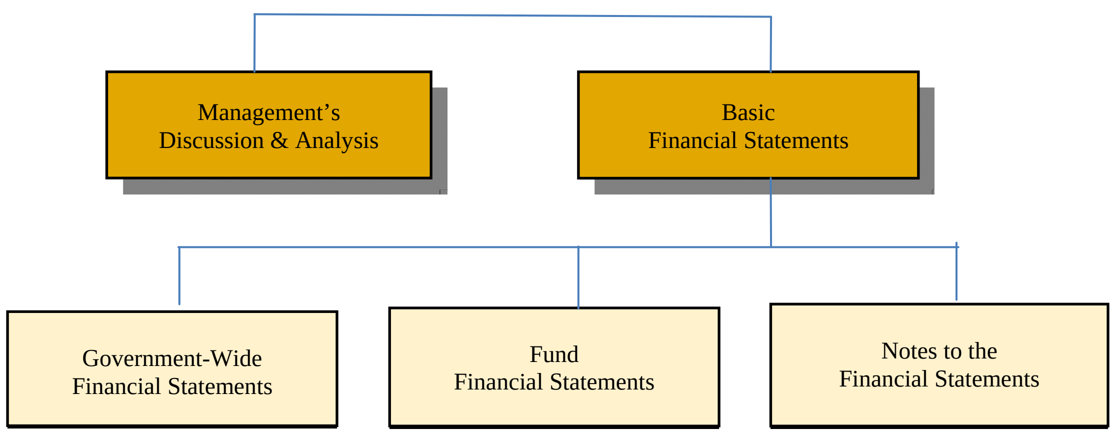
Management's Discussion and Analysis

INTRODUCTION

The Management's Discussion and Analysis (MD&A) is a required section of the District's annual financial report, as shown in the overview below. The purpose of the MD&A is to present a discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2015. This report will (1) focus on significant financial issues, (2) provide an overview of the District's financial activity, (3) identify changes in the District's financial position, (4) identify any individual fund issues or concerns, and (5) provide descriptions of significant asset and debt activity.

This information, presented in conjunction with the annual Basic Financial Statements, is intended to provide a comprehensive understanding of the District's operations and financial standing.

Required Components of the Annual Financial Report



FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended June 30, 2015 were as follows:

- Total net position decreased by $9,714,282, or 83%, from June 30, 2014 to June 30, 2015.
- General revenues accounted for $14,256,051 which is 97% of all revenues. Program specific revenues in the form of operating grants and contributions and charges for services accounted for $400,797 or 3% of total revenues of $14,656,848.
- The District had $13,340,411 in expenses, which was directly supported by program specific revenues of $400,797.
- Total fund balances of governmental funds increased by $723,014, or 24%, from June 30, 2014 to June 30, 2015.
- Among major funds, the General Fund had $13,079,908 in revenues and $2,460,530 in expenditures. The General Fund's fund balance increased by $619,378 from June 30, 2014 to June 30, 2015.

USING THE ANNUAL REPORT

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Government-wide financial statements, which comprise the first two statements, provide both short-term and long-term information about the District's overall financial position.

- Individual parts of the District, which are reported as fund financial statements, focus on reporting the District's operations in more detail. These fund financial statements comprise the remaining statements.

- Notes to the financials, which are included in the financial statements, provide more detailed data and explain some of the information in the statements. The required supplementary information section provides further explanations and provides additional support for the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS - STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year 2014 - 2015?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting practices used by most private-sector companies. This basis of accounting takes into account all of the current year revenues and expenses regardless of when cash is received or paid.

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the District's major funds begins with the balance sheet. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. These fund financial statements focus on each of the District's most significant funds. The District's major governmental funds are the General Fund, Building Fund, and Bond Interest and Redemption Fund.

Governmental Funds

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

Fiduciary funds

The district is the trustee, or fiduciary, for student body funds and a foundation trust fund. All of the district's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the district's fund and government-wide financial statements because the district cannot use these assets to finance its operations.

THE DISTRICT AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net position as of June 30, 2015 as compared to June 30, 2014:

Table 1 - Summary of Net Position

	2015	2014	Increase (Decrease)	Percent
Assets				
Current Assets	$ 4,020,371	$ 3,268,007	$ 752,364	23.0%
Noncurrent Assets	29,322,841	30,164,494	(841,653)	-2.8%
Total Assets	$ 33,343,212	$ 33,432,501	$ (89,289)	-0.3%
Deferred Outflows of Resources	$ 1,419,600	$ 677,385	$ 742,215	109.6%
Liabilities				
Current and Other Liabilities	$ 579,674	$ 558,324	$ 21,350	3.8%
Long-Term Liabilities	29,803,626	21,886,286	7,917,340	36.2%
Total Liabilities	$ 30,383,300	$ 22,444,610	$ 7,938,690	35.4%
Deferred Inflows of Resources	$ 2,428,518	$ -	$ 2,428,518	100.0%
Net Position				
Net Investment in Capital Assets	$ 9,705,495	$ 9,547,431	$ 158,064	1.7%
Restricted	730,201	625,857	104,344	16.7%
Unrestricted	(8,484,702)	1,491,988	(9,976,690)	-668.7%
Total Net Position	$ 1,950,994	$ 11,665,276	$ (9,714,282)	-83.3%

Net position decreased by $9.7 million because of the implementation of GASB 68 which required the District to record a net pension obligation of $8.9 million and decrease beginning net position by $11 million.

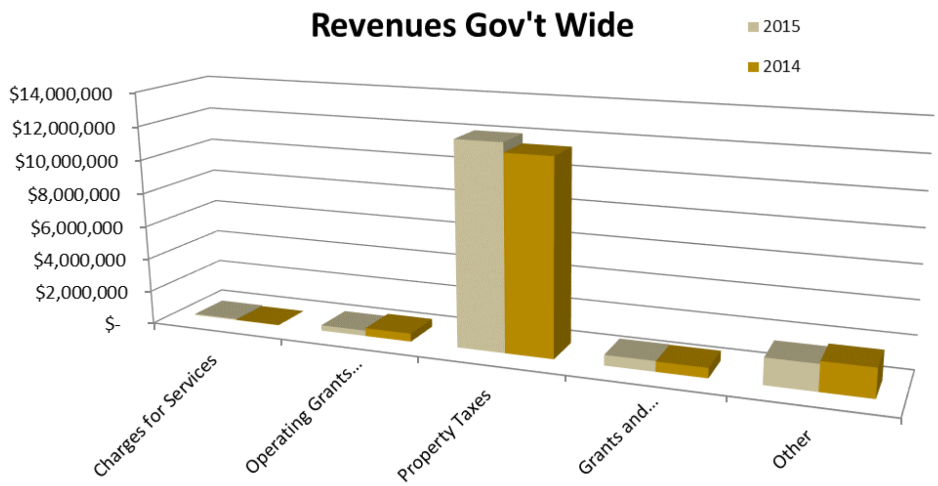
Table 2 shows the changes in net position from fiscal year 2014 to 2015.

Table 2 - Change in Net Position

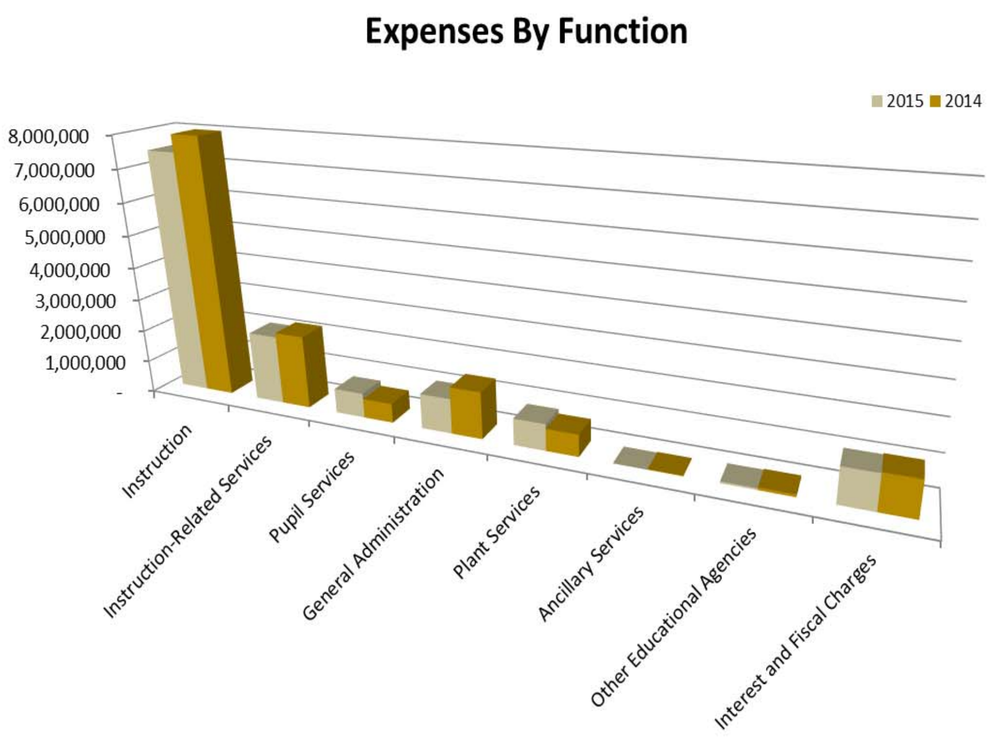
	2015	2014	Increase (Decrease)	Percent
Revenues				
Program Revenues:				
Charges for Services	$ 70,474	$ 18,507	$ 51,967	280.8%
Operating Grants and Contributions	330,323	481,013	(150,690)	-31.3%
General Revenues:				
Property Taxes	12,088,210	11,517,736	570,474	5.0%
Grants and Entitlements - Unrestricted	618,266	593,912	24,354	4.1%
Other	1,549,575	1,713,060	(163,485)	-9.5%
Total Revenues	14,656,848	14,324,228	332,620	2.3%
Program Expenses				
Instruction	7,460,080	7,991,586	(531,506)	-6.7%
Instruction-Related Services	2,121,642	2,257,742	(136,100)	-6.0%
Pupil Services	757,921	593,777	164,144	27.6%
General Administration	1,071,262	1,435,168	(363,906)	-25.4%
Plant Services	810,689	670,429	140,260	20.9%
Ancillary Services	-	19,744	(19,744)	-100.0%
Other Educational Agencies	53,799	77,480	(23,681)	-30.6%
Interest and Fiscal Charges	1,065,018	1,097,595	(32,577)	-3.0%
Total Expenses	13,340,411	14,143,521	(803,110)	-5.7%
Change in Net Position	1,316,437	180,707	1,135,730	628.5%
Prior Period Adjustments	(11,030,719)	(1,304,783)	(9,725,936)	-745.4%
Change in Net Position Including Adjustments	$ (9,714,282)	$ (1,124,076)	$ (8,590,206)	-764.2%

Property taxes comprised 82% of District revenues and direct instruction costs comprised 56% of District expenses for fiscal year 2015.

The following is a summary of government wide revenues for the fiscal year ended June 30, 2015:



The following is a summary of expenses by function for the fiscal year ended June 30, 2015:



GOVERNMENTAL ACTIVITIES

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the net cost of services as compared to the prior fiscal year. That is, it identifies the cost of these services supported by general revenues for the government-wide statements (not the General Fund).

Table 3 - Net Cost of Services

Function	2015	2014	Increase (Decrease)	Percent
Instruction	$ 7,140,325	$ 7,800,769	$ (660,444)	-8.5%
Instruction-Related Services	2,090,489	2,114,385	(23,896)	-1.1%
Pupil Services	711,052	555,468	155,584	28.0%
General Administration	1,071,262	1,435,168	(363,906)	-25.4%
Plant Services	810,634	670,429	140,205	20.9%
Ancillary Services	-	19,744	(19,744)	-100.0%
Other Educational Agencies	50,834	(49,557)	100,391	202.6%
Interest and Fiscal Charges	1,065,018	1,097,595	(32,577)	-3.0%
Total Net Cost of Services	$ 12,939,614	$ 13,644,001	$ (704,387)	-5.2%

Direct Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and pupil.

Pupil Services and Instruction-related Services include the activities involved with assisting staff with the content and process of teaching to pupils.

General Administration includes the costs for the Board of Trustees, administration, fiscal and business services and other expenses associated with administrative and financial supervision of the District.

Plant Services includes the operation and maintenance of plant activities, which involve keeping the school grounds, buildings, and equipment in an effective working condition.

Ancillary Services includes the operation of non-instructional services including the preparation, delivery, and servicing of lunches, snacks and other incidental meals.

Interest and Fiscal Charges involve the transactions associated with the payment of interest and other related charges to debt of the District.

The dependence upon tax and local revenues is apparent, 97% of the District's activities are supported through taxes and other general revenues. The community, as a whole, is the primary support for the District.

THE DISTRICT'S FUNDS

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

Table 4 - Change in Fund Balances

Funds	2015	2014	Increase (Decrease)
General Fund	$ 2,337,395	$ 1,718,017	$ 619,378
Cafeteria Fund	19,415	22,323	(2,908)
Deferred Maintenance Fund	317	294	23
Capital Facilities Fund	223,487	115,448	108,039
Bond Interest & Redemption Fund	1,158,083	1,159,601	(1,518)
Total Governmental Fund Balances	$ 3,738,697	$ 3,015,683	$ 723,014

GENERAL FUND BUDGETING HIGHLIGHTS

The District's budget is prepared according to California law and in the modified accrual basis of accounting.

During the course of the 2014-15 fiscal year, the District revised its General Fund budget twice, at 1st Interim and 2nd interim, which resulted in a decrease in budgeted expenditures of $57,014 from the original to final budget.

For the General Fund, the final budget basis revenue and other financing sources estimate was $13,076,129. The original budgeted estimate was $12,849,350.

CAPITAL ASSETS

Table 5 shows June 30, 2015 balances as compared to June 30, 2014.

Table 5 - Summary of Capital Assets Net of Depreciation

Capital Asset	2015 Net Capital Asset	2014 Net Capital Asset	Percentage Change
Land	$ 770,000	$ 770,000	0%
Buildings and Improvements	27,753,953	28,537,721	-3%
Property and Equipment	405,041	437,108	-7%
Totals	$ 28,928,994	$ 29,744,829	-3%

LONG TERM DEBT

Table 6 summarizes the percent changes in Long-term Debt over the past two years.

Table 6 - Long-term Debt

Type of Debt	2015	2014	Percentage Change
General obligation bonds	$ 17,171,531	$ 17,895,638	-4.05%
Capital Lease Obligations	2,445,815	2,721,425	-10.13%
Net Pension Obligations	8,927,188	-	100.00%
Early Retirement Incentives	717,008	827,916	-13.40%
Net OPEB obligation	528,068	370,597	42.49%
Compensated absences	14,016	70,710	-80.18%
Total Debt	$ 29,803,626	$ 21,886,286	36.17%

FACTORS BEARING ON THE DISTRICT'S FUTURE

The State's funding scheme for school districts, the Local Control Funding Formula, directs funds to school districts disproportionately in two ways. Weighted grade span allocations recognize that programming costs differ at various points in the K-12 program. Districts will also receive additional dollars for students with limited English language proficiency, students in foster care, and those with limited income as measured by eligibility for free and reduced price meals in the Federal School Nutrition Program.

As a community funded district, the Portola Valley School District will be relatively unaffected by the Local Control Funding Formula. The District has explicitly connected the annual budget to the education program by formally adopting an annual "Local Control Accountability Plan".

Portola Valley School District will also need to monitor the macro-economy to be sure we are reacting to potential threats like those seen in recent years. It appears that property values in the region are on the rise again and the economy as a whole seems headed toward an upward swing. At the same time, the fluctuations in the stock markets may be indicating there are additional threats to stability on the horizon. The District's Board has indicated their intent to act prudently by committing to monitoring actively the multiyear projection and to building a reserve beyond required levels which will be sufficient to ensure solvency and to preserve programming for students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions regarding this report or need additional financial information, contact Jon Barth, Portola Valley School District Business Office, 4575 Alpine Road, Portola Valley, CA 94028, (650) 851-1777, extension 2560.

Basic Financial Statements

PORTOLA VALLEY SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

		Governmental Activities
Assets		
Current Assets:		
Cash and investments	$	3,557,213
Accounts receivable		269,084
Prepaid expenses		194,074
Total Current Assets		4,020,371
Noncurrent Assets:		
Unamortized prepaid bond issuance costs - net		393,847
Capital assets - net		28,928,994
Total Noncurrent Assets		29,322,841
Total Assets	$	33,343,212
Deferred Outflows of Resources		
Pension contributions	$	782,775
Deferred loss on early retirement of long-term debt		636,825
Total Deferred Outflows of Resources	$	1,419,600
Liabilities		
Current Liabilities:		
Accounts payable	$	266,355
Accrued interest		298,000
Total Current Liabilities		579,674
Long-term Liabilities:		
Due within one year:		
General obligation bonds payable		680,000
Capital lease obligations		286,527
Early retirement incentives		110,908
Compensated absences payable		14,016
Total due within one year		1,091,451
Due after one year:		
General obligation bonds payable		16,491,531
Capital lease obligations		2,159,288
Net pension obligations		8,927,188
Net OPEB obligation		528,068
Early retirement incentives		606,100
Total due after one year		28,712,175
Total long-term Liabilities		29,803,626
Total Liabilities	$	30,383,300
Deferred Inflows of Resources		
Adjustments from differences between actual and projected pension plan earnings	$	2,428,518
Total Deferred Inflows of Resources	$	2,428,518
Net Position		
Net investment in capital assets	$	9,705,495
Restricted for:		
Capital projects		223,487
Cafeteria programs		19,415
Educational programs		487,299
Total restricted net position		730,201
Unrestricted (deficit)		(8,484,702)
Total Net Position	$	1,950,994

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

PORTOLA VALLEY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

		Program Revenues		Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental activities				
Instruction	$ 7,460,080	$ 65,415	$ 254,340	$ (7,140,325)
Instruction-related services:				
Supervision of instruction	465,858	2,356	27,435	(436,067)
Instruction library, media and technology	736,053	282	546	(735,225)
School site administration	919,731	4	530	(919,197)
Pupil services:				
Home-to-school transportation	82,243	-	-	(82,243)
Food services	54,098	-	31,837	(22,261)
All other pupil services	621,580	2,398	12,634	(606,548)
General administration:				
Data processing	68,445	-	-	(68,445)
All other general administration	1,002,817	-	-	(1,002,817)
Plant services	810,689	19	36	(810,634)
Other educational agencies	53,799	-	2,965	(50,834)
Interest on long-term debt	1,065,018	-	-	(1,065,018)
Total governmental activities	$ 13,340,411	$ 70,474	$ 330,323	(12,939,614)
General revenues:				
Taxes and subventions:				
Taxes levied for general purposes				9,525,443
Taxes levied for debt service				1,382,024
Taxes levied for other specific purposes				1,180,743
Federal and state aid not restricted to specific purposes				618,266
Interest and investment earnings				89,901
Miscellaneous				1,459,674
Total general revenues and special items				14,256,051
Change in net position				1,316,437
Prior period adjustments - GASB 68				(11,030,719)
Net position beginning				11,665,276
Net position ending				$ 1,950,994

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

PORTOLA VALLEY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Bond Interest Redemption Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	$ 2,165,279	$ 1,156,400	$ 235,534	$ 3,557,213
Accounts receivable	259,411	1,683	7,990	269,084
Prepaid expenditures	194,074	-	-	194,074
Total Assets	$ 2,618,764	$ 1,158,083	$ 243,524	$ 4,020,371
Liabilities, Deferred Inflows and Fund Balances				
Liabilities:				
Accounts payable	$ 266,050	$ -	$ 305	$ 266,355
Unearned revenue	15,319	-	-	15,319
Total Liabilities	281,369	-	305	281,674
Fund balances:				
Nonspendable:				
Prepaid expenditures	194,074	-	-	194,074
Restricted for:				
Educational programs	487,299	-	-	487,299
Debt service	-	1,158,083	-	1,158,083
Cafeteria programs	-	-	19,415	19,415
Capital projects	-	-	223,487	223,487
Assigned for:				
Site repairs	-	-	317	317
Unassigned:				
Unappropriated	1,656,022	-	-	1,656,022
Total Fund Balances	2,337,395	1,158,083	243,219	3,738,697
Total Liabilities, Deferred Inflows and Fund Balances	$ 2,618,764	$ 1,158,083	$ 243,524	$ 4,020,371

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

PORTOLA VALLEY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total fund balances - governmental funds			$ 3,738,697
Amounts reported for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is $40,823,765 and the accumulated depreciation is $11,894,771.			28,928,994
To recognize accrued interest at year end which is not reported in the governmental funds			(298,000)
Discounts and prepaid issuance costs paid when debt is issued are expensed in the fund statements but capitalized and amortized over the life of the bonds in the government-wide statements and not resources currently available for spending.			393,847
The difference between projected and actual earnings from pension plan assets is not included in the plan's actuarial study until the next fiscal year and are reported as deferred inflows of resources in the statement of net position, while contrbutions made in the current were reported as deferred outflows of resources because they were not paid as of the plans' valuation dates.			(1,645,743)
The difference between the reacquisition price and net carrying value of long-term debt when a bond is refunded is recorded as a deferred loss on the early retirement of long-term debt and a deferred inflow in the government-wide statement of net position and amortized over the remaining life of the refunded debt or refunding debt, whichever is shorter. This transaction is not a current financial resource and is not included in the governmental fund statements.			636,825
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consists of:			
	General obligation bonds	$ 17,171,531	
	Capital lease obligations	2,445,815	
	Net pension obligations	8,927,188	
	Net OPEB obligation	528,068	
	Early retirement incentives	717,008	
	Compensated absences (vacation)	14,016	(29,803,626)
Net position - governmental activities			$ 1,950,994

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

PORTOLA VALLEY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Bond Interest Redemption Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
LCFF sources	$ 10,000,961	$ -	$ -	$ 10,000,961
Federal	106,629	-	30,060	136,689
Other state	198,065	3,684	1,777	203,526
Other local	2,774,253	1,383,236	124,894	4,282,383
Total revenues	13,079,908	1,386,920	156,731	14,623,559
Expenditures:				
Instruction	7,135,165	-	-	7,135,165
Instruction-related services:				
Supervision of instruction	410,363	-	-	410,363
Instruction library, media and technology	691,415	-	-	691,415
School site administration	953,659	-	-	953,659
Pupil services:				
Home-to-school transportation	85,548	-	-	85,548
Food services	-	-	43,212	43,212
All other pupil services	646,557	-	-	646,557
General administration:				
Data processing	71,195	-	-	71,195
All other general administration	1,027,013	-	-	1,027,013
Plant services	786,286	-	-	786,286
Ancillary services	-	-	-	-
Facility acquisition and construction	14,900	-	8,365	23,265
Other educational agencies	53,799	-		53,799
Debt service:				
Principal	275,610	665,000	-	940,610
Interest and other costs	309,020	723,438	-	1,032,458
Total expenditures	12,460,530	1,388,438	51,577	13,900,545
Excess (deficiency) of revenues over (under) expenditures	619,378	(1,518)	105,154	723,014
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	619,378	(1,518)	105,154	723,014
Fund balances beginning	1,718,017	1,159,601	138,065	3,015,683
Fund balances ending	$ 2,337,395	$ 1,158,083	$ 243,219	$ 3,738,697

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

PORTOLA VALLEY SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Total net change in fund balances - governmental funds	$	723,014
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities , the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions was less than depreciation expense of $815,835 in the period.		(815,835)
The governmental funds report bond proceeds as an other financing source, while repayment of bond principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:		
Repayment of bond principal		665,000
The governmental funds report long-term debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure.		
Repayment of capital lease principal		275,610
In governmental funds, actual contributions to pension plans are reported as expenditures in the year incurred. However, in the government-wide statement of activities, only the current year pension expense as noted in the plans' valuation reports is reported as an expense, as adjusted for deferred inflows and outflows of resources.		457,788
In governmental funds, if debt is issued at a premium or at a discount, the premium or discount is recognized as an other financing source or other financing use in the period it is incurred. In the government-wide statements, the premium or discount is amortized as interest over the life of the debt. The difference between premiums or discounts recognized in the current period and amortized over future periods is:		33,289
In governmental funds, deferred loss on early retirement of long-term debt is recognized as other finances uses. In the government-wide statements, the deferred losses on early retirement of long-term debt is amortized over the life of the debt. The difference between other financing uses and amortization is:		(40,560)
In the statement of activities, compensated absences are measured by the amount earned during the year. In governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially the amounts paid). This year vacation earned was less than the amounts used by:		56,694
Payments for early retirement incentive programs are expenditures in the governmental funds and liabilities amortized over over the life of the program in the statement of activities.		110,908
In the statement of activities, the net other postemployment benefits obligation is measured by deducting the amount contributed to the plan from the annual required contribution as actuarially determined. In governmental funds, this obligation is not recorded because it is not paid with current financial resources and only current contributions are expended.		(157,471)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		8,000
Changes in net position of governmental activities	$	1,316,437

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

PORTOLA VALLEY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	Student Body Agency Fund
Assets	
Cash on hand and in banks	$ 7,010
Total Assets	$ 7,010
Liabilities	
Accounts payable	$ 7,010
Total Liabilities	$ 7,010

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Principles

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

B. Reporting Entity

The District is the level of government primarily accountable for activities related to public education. The governing authority consists of five elected officials who, together, constitute the Board of Trustees. The District's combined financial statements include the accounts of all its operations. The District evaluated whether any other entity should be included in these financial statements. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the ability of the governmental unit's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the dependent unit should be reported as part of the other. Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

Accordingly, for the year ended June 30, 2015, the District does not have any component units and is not a component unit of any other reporting entity.

C. Basis of Presentation

Government-wide Financial Statements:

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

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

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

Fund Financial Statements:

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

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

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions:

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

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

Deferred Outflow of Resources and Deferred Inflow of Resources:

Deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period. For example, prepaid items and deferred charges.

Deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period. For example, unearned revenue and advance collections.

Unearned Revenue:

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

Expenses/Expenditures:

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

E. Fund Accounting

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

Major Governmental Funds:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund and includes transactions accounted for in the Special Reserve Fund for Other Than Capital Outlay Projects and Tax Override Fund.

The *Bond Interest and Redemption Fund* is maintained by the County Treasurer and is used to account for both the accumulation of resources from ad valorem tax levies and the interest and redemption of principal of the funding of general obligation bonds issued by the District.

Non-major Governmental Funds:

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

- The Cafeteria Fund is used to account for revenues received and expenditures made to operate the District's food service programs.

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

Capital Projects Funds are used to account for resources restricted, committed or assigned for capital outlays. The District maintains one non-major capital projects fund:

- The Capital Facilities Fund is used to account for resources received from developer impact fees assessed under provisions of the California Environmental Quality Act (CEQA).

Fiduciary Funds:

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

F. <u>Budgets and Budgetary Accounting</u>

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

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

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

G. Encumbrances

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

H. Pensions

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

I. Assets, Liabilities, and Equity

1. Cash and Investments

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

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

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

2. Inventories and Prepaid Expenditures

Inventories are recorded using the purchases method, in that inventory acquisitions are initially recorded as expenditures. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

The District's central warehouse inventory is valued at a moving average cost and consists of expendable supplies held for consumption. The District has the option of reporting expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditure during the benefiting period.

3. Capital Assets

Capital assets, which include sites, improvement of sites, buildings and improvements, equipment, and construction in progress, are reported in the government-wide financial statements. Such assets are valued at historical cost or estimated historical cost unless obtained by annexation or donation, in which case they are recorded at estimated market value at the date of receipt. The District utilizes a capitalization threshold of $5,000.

Projects under construction are recorded at cost as construction in progress and transferred to the appropriate asset account when substantially complete. Costs of major improvements and rehabilitation of buildings are capitalized. Repair and maintenance costs are charged to expense when incurred. Equipment disposed of, or no longer required for its existing use, is removed from the records at actual or estimated historical cost, net of accumulated depreciation.

All capital assets, except land and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

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

4. Unearned Revenue

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

5. Compensated Absences

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

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires. At retirement, each classified member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated 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.

6. Long-Term Obligations

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

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

7. Fund Balance Classifications

The District maintains a minimum unassigned fund balance of not less than 4 percent of budgeted general fund expenditures and other financing uses as a reserve for economic uncertainties. The District believes a reserve of this level is prudent to maintain a high bond rating and to protect the District from the effects of fluctuations in property tax revenues to which basic aide districts are vulnerable. Because amounts in the nonspendable, restricted, committed, and assigned categories are subject to varying constraints on their use, the reserve for economic uncertainties consists of balances that are otherwise unassigned.

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

- *Non-spendable* fund balance includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

- *Restricted* fund balance includes amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

- *Committed* fund balances includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. Committed fund balances are imposed by the District's board of education.

- *Assigned* fund balance includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Superintendent and the Assistant Superintendent of Business Services.

- *Unassigned* fund balance includes positive amounts within the general fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

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

8. <u>Net Position</u>

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

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

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

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

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

9. Local Control Funding Formula and Property Taxes

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

The 2013–14 Budget Act provides $2.1 billion for school districts and charter schools and $32 million for COEs to support the first-year implementation of the LCFF. Until full implementation, however, local educational agencies (LEAs) will receive roughly the same amount of funding they received in 2012–13 plus an additional amount each year to bridge the gap between current funding levels and the new LCFF target levels. The budget projects the time frame for full implementation of the LCFF to be eight years.

The LCFF includes the following components for school districts and charter schools:

- Provides a base grant for each LEA equivalent to $7,643 per average daily attendance (ADA). The actual base grants would vary based on grade span.
- Provides an adjustment of 10.4 percent on the base grant amount for kindergarten through grade three (K–3). As a condition of receiving these funds, the LEA shall progress toward an average class enrollment of no more than 24 pupils in kindergarten through grade three, unless the LEA has collectively bargained an annual alternative average class enrollment in those grades for each school site.
- Provides an adjustment of 2.6 percent on the base grant amount for grades nine through twelve.
- Provides a supplemental grant equal to 20 percent of the adjusted base grant for targeted disadvantaged students. Targeted students are those classified as English learners (EL), eligible to receive a free or reduced-price meal (FRPM), foster youth, or any combination of these factors (unduplicated count).
- Provides a concentration grant equal to 50 percent of the adjusted base grant for targeted students exceeding 55 percent of an LEA's enrollment.
- Provides for additional funding based on an "economic recovery target" to ensure that virtually all districts are at least restored to their 2007–08 state funding levels (adjusted for inflation) and also guarantees a minimum amount of state aid to LEAs.

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

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

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

10. Risk Management

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

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

11. Accounting Estimates

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

12. Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through the date the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure other than the issuance of 2015-16 Tax and Revenue Anticipation Notes in the amount of $1,063,000.

J. Implemented New Accounting Pronouncements

GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions* - an amendment of GASB Statement No. 27 (Issued 06/12). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of Statement No. 50, *Pension Disclosures,* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. This Statement establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement-determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. This Statement has been implemented as of June 30, 2015, resulting in a prior period adjustment of $2,036,929 related to CalPERS and $8,993,790 related to CalSTRS totaling $11,030,719 in the government-wide net position but had no impact on governmental fund balances. See Note 10 for information related to the financial statement impact of this statement.

GASB Statement No. 69 – In January, 2013, GASB issued Statement No. 69, *Government Combinations and Disposal of Government Operations.* This Statement establishes accounting and financial reporting standards related to government combinations and disposal of government operations. As used in this Statement, *combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. There was no financial statement effect related to this Statement.

GASB Statement No. 70 – In April, 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees.* Some governments extend financial guarantees for the obligations of another government, a not-for-profit entity, or private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). The District does not participate in nonexchange financial guarantees. Therefore, this Statement had no financial statement effect.

GASB Statement No. 71 – In November, 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.* The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement were required to be applied simultaneously with the provisions of Statement 68 and have been implemented as of June 30, 2015. See Note 10 for information related to the financial statement impact of this statement.

K. Upcoming Accounting and Reporting Changes

GASB Statement No. 72 – In February, 2015, 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 (fiscal year ending June 30, 2016). The District is in the process of determining the impact this statement will have on the financial statements, but does not anticipate a material impact on its financial statements.

GASB Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Effective date: the provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015—except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement also clarifies the application of certain provisions of Statements 67 and 68 with regard to the following issues:

- Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported
- Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions
- Timing of employer recognition of revenue for the support of nonemployer contributing entities *not* in a special funding situation.

The District is in the process of determining the impact this statement will have on the financial statements, but does not anticipate a material impact on its financial statements.

GASB Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Effective date: the provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*.

The scope of this Statement includes OPEB plans—defined benefit and defined contribution—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, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

Management anticipates that this statement will not have a direct impact on the District's financial statements.

GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Effective date: the provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

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

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

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

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

The District is in the process of determining the impact this statement will have on the financial statements.

GASB Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Effective date: the provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Management anticipates that this statement will not have a material impact on the District's financial statements.

GASB Statement No. 77 – *Tax Abatement Disclosures*. Effective date: the requirements of this Statement are effective for reporting periods beginning after December 15, 2015. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Management anticipates that this statement will not have a material impact on the District's financial statements.

NOTE 2 - CASH AND INVESTMENTS

Summary of Deposits

A summary of deposits as of June 30, 2015, is as follows:

Deposit or Investment	Carrying Amount	Fair Value	Investment Rating
Government-Wide Statements:			
Cash in county treasury investment pool	$ 3,223,463	$ 3,223,141	AA
Cash with fiscal agent	333,750	333,750	AAA
Total Government-Wide Cash and Investments	3,557,213	3,556,891	
Fiduciary Funds:			
Carrying amount of cash in banks	7,010	7,010	n/a
Total Cash and Investments	$ 3,564,223	$ 3,563,901	

Cash in banks and revolving funds

Cash balances in banks and revolving funds are insured up to $250,000 by the Federal Deposit Insurance Corporation ("FDIC"). These accounts are held within various financial institutions. As of June 30, 2015, the bank balance of the District's accounts with banks was $7,470, which did not exceed FDIC.

Cash in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the 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.

Cash with Fiscal Agent

Cash with fiscal agent represents the amount on deposit with Deutsche Bank in two Trust accounts for federally subsidized loan proceeds from which vendor payments are made for the projects. The two escrow accounts had a combined balance of $333,750 at June 30, 2015, invested in US Treasury obligations.

Policies and Practices

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

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

A. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District keeps cash in the San Mateo County Investment Pool which had a fair value of approximately $1.275 billion and an amortized book value of $1.275 billion.

B. Credit Risk

Credit risk is the risk of loss due to the failure of the security issuer. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the San Mateo County Investment Pool is governed by the County's general investment policy. The investment with the San Mateo County Investment Pool is rated at least Aa1 by Moody's Investor Service.

C. Custodial Credit Risk – Deposits

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

D. Concentration of Credit Risk

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

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of June 30, 2015:

Receivables	General Fund	Bond Interest Redemption	Nonmajor Funds	Total
Federal Government	$ 23,396	$ -	$ 5,144	$ 28,540
State Special Education	13,378	-	-	13,378
State Lottery	55,567	-	-	55,567
Other Resources	167,070	1,683	2,846	171,599
Total Accounts Receivable	$ 259,411	$ 1,683	$ 7,990	$ 269,084

NOTE 4 - INTERFUND TRANSACTIONS

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

Interfund Receivables/Payables (Due From/Due To)

As of June 30, 2015, the District did not have any interfund payables and receivables.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenues to funds through which the resources are to be expended. The District did not have any interfund transfers during the year.

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2015, is shown below:

Capital Assets	Balance July 01, 2014	Additions	Deletions	Adjustments	Balance June 30, 2015
Land - not depreciable	$ 770,000	$ -	$ -	$ -	$ 770,000
Buildings and improvements	39,408,030	-	-	-	39,408,030
Equipment	645,735	-	-	-	645,735
Total capital assets	40,823,765	-	-	-	40,823,765
Less accumulated depreciation for:					
Buildings	10,870,309	783,768	-	-	11,654,077
Equipment	208,627	32,067	-	-	240,694
Total accumulated depreciation	11,078,936	815,835	-	-	11,894,771
Total capital assets - net depreciation	$ 29,744,829	$ (815,835)	$ -	$ -	$ 28,928,994

Depreciation expense was charged to governmental activities as follows:	
Instruction	$ 610,681
Instruction - related services	145,608
Food services	12,555
All other general administration	15,478
Plant services	31,513
Total depreciation expense	$ 815,835

NOTE 6 - TAX REVENUE ANTICIPATION NOTES (TRAN)

On July 22, 2014, the District issued $1,990,000 in Tax Revenue Anticipation Notes (TRANS) maturing on June 30, 2015, with an interest rate of 1.500%, sold to yield 0.120%. The TRANS are a general obligation of the District and are payable from revenues and cash receipts to be generated by the District. The funds will be used to supplement the District's cash flow and were completely repaid as of June 30, 2015.

NOTE 7 - SCHEDULE OF CHANGES IN LONG-TERM LIABILITIES

The following is a summary of the changes in long-term debt for the year ended June 30, 2015:

Long-term Debt	Balance July 01, 2014	Additions	Deletions	Balance June 30, 2015	Due Within One Year
General Obligation Bonds	$ 17,895,638	$ -	$ 724,107	$ 17,171,531	$ 680,000
Capital Leases	2,721,425	-	275,610	2,445,815	286,527
Annual Net OPEB Obligation	370,597	259,106	101,635	528,068	-
Net Penstion Liabilities	-	11,030,719	2,103,531	8,927,188	-
Early Retirement Incentives	827,916	-	110,908	717,008	110,908
Compensated Absences	70,710	-	56,694	14,016	14,016
Total Long-term Debt	$ 21,886,286	$ 11,289,825	$ 3,372,485	$ 29,803,626	$ 1,091,451

Payments for the capital lease obligations are paid from the General Fund. Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund from local revenues. The accrued vacation, net pension liabilities and other postemployment benefits will be paid by the fund for which the employee worked.

NOTE 8 - GENERAL OBLIGATION BONDS

Through elections, the District received authorization to issue general obligation bonds (GOB) that requires the county to levy annual ad valorem taxes for the payment of interest and principal on the bonds. Bond proceeds are used to build additional classrooms and to perform repairs and renovations.

In December 2009, refunding bonds in the amount of $4,910,000 were issued by the Portola Valley School District to defease the Series 1998 General Obligation Bonds. The bonds bear interest rates of 2% to 4% with maturity dates of August 1, 2010 to August 1, 2028. The bonds are issued by the District at a premium sufficient to refund all of the District's General Obligation Bonds, Election of 1998, Series 1998 and to pay costs of issuance of the Bonds.

In May 2010, refunding bonds in the amount of $9,180,000 were issued by the Portola Valley School District to defease the Series 2001 General Obligation Bonds. The bonds bear interest rates of 2% to 5% with maturity dates of August 1, 2010 to August 1, 2025. The bonds are issued by the District at a premium sufficient to refund all of the District's General Obligation Bonds, Election of 1998, Series 2001 and to pay costs of issuance of the Bonds.

In November 2010, the District issued $5,315,000 of General Obligation Refunding Bonds. The bonds were issued to refund and fully defease 2002 General Obligation Bonds which were issued to improve schools by financing and modernization projects at Corte Madera and Ormondale Schools. Payments of principal and interest on the bonds will be made payable on February 1 and August 1 of each year commencing February 1, 2003 from the collection of *ad valorem* taxes upon all property subject to taxation by the District.

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements.

The following schedule summarizes District's outstanding General Obligation Bonds as of June 30, 2015:

Bond	Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 01, 2014	Redeemed	Bonds Outstanding June 30, 2015
2010 GO Bonds, Series B	2010	2032	2.0-5.0	$ 5,315,000	$ 4,970,000	$ 130,000	$ 4,840,000
2009 GO Bonds, Series 2009	2009	2029	2.0-4.0%	4,910,000	4,045,000	215,000	3,830,000
2010 GO Bonds, Series 2010	2010	2030	2.0-5.0%	9,180,000	7,900,000	320,000	7,580,000
Subtotal General Obligation Bonds				19,405,000	16,915,000	665,000	16,250,000
Unamortized Bond Premiums				1,219,864	980,638	59,107	921,531
Total General Obligation Bonds				$ 20,624,864	$ 17,895,638	$ 724,107	$ 17,171,531

The following is a summary of the District's annual debt service requirements as of June 30, 2015:

Year Ending June 30	Principal	Interest	Total
2016	$ 680,000	$ 704,350	$ 1,384,350
2017	695,000	681,106	1,376,106
2018	725,000	656,638	1,381,638
2019	750,000	631,963	1,381,963
2020	775,000	601,759	1,376,759
2021-2025	3,450,000	2,048,147	5,498,147
2026-2030	5,240,000	1,595,106	6,835,106
2031-2032	3,935,000	302,075	4,237,075
Total Debt Service	$ 16,250,000	$ 7,221,144	$ 23,471,144

NOTE 9 - CAPITAL LEASE OBLIGATIONS

The District leases property and equipment under various lease agreements, which provide for title to pass upon expiration of the lease periods. In July of 2010, the District entered into a site lease for solar and other equipment, including installation, in the amount of $2,850,000. In January of 2012, the District added a technology and improvement capital lease in the amount of $514,222. The solar equipment site lease qualifies the District for $2,850,000 in Qualified School Construction Bond Program tax credits. The District is also entitled to federal subsidies over a 15 year period for the solar panel installation. The District was entitled to federal subsidies of $203,984 and $74,250, related to these leases which were offset against the required debt service payments.

The present value of future minimum lease payments are as follows:

Year Ending June 30	Principal	Interest	Total
2016	$ 286,527	$ 144,916	$ 431,443
2017	256,550	130,156	386,706
2018	141,699	118,541	260,240
2019	150,616	109,713	260,329
2020	160,145	100,329	260,474
2021 - 2025	749,695	294,980	1,044,675
2026 - 2027	700,583	81,437	782,020
Present Value of Minimum Lease	$ 2,445,815	$ 980,072	$ 3,425,887

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS

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

General Information about the PERS Pension Plan

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

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the Plan are applied as specified by the Public Employees' Retirement Law. The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Tier 1	Tier 2
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	50	62
Monthly benefits as a % of eligible compensation	2.0%	2.0%
Required employee contribution rates	7%	6.25%
Required employer contribution rates	11.44%	6.25%

Employees Covered - At June 30, 2015, the District had 40 employees covered by the benefit terms under the Plan.

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

For the year ended June 30, 2015, the contributions recognized as part of pension expense for the Plan were as follows:

Contributions - employer	$	172,039
Contributions - employee		106,424
Total contributions	$	278,463

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability	
Miscellaneous Plan	$	1,623,398
Total Net Pension Liability	$	1,623,398

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2014, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2013 and 2014 was as follows:

	Proportion of Net Pension Liability
Proportion - June 30, 2013	0.0143%
Proportion - June 30, 2014	0.0143%
Change	0.0000%

For the year ended June 30, 2015, the District recognized pension expense of $144,287 for the Plan.

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	$ 260,821	$ -
Net differences between projected and actual earnings on plan investments	-	557,818
Total	$ 260,821	$ 557,818

The District reported $260,821 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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

Fiscal Year Ended June 30	Recognized to Pension Expense
2016	$ 139,454
2017	139,454
2018	139,454
2019	139,456
Total	$ 557,818

Actuarial Assumptions - The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2%(1)
Investment Rate of Return	7.5% (2)
Mortality	(3)

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation
(3) Derived using CalPERS' membership data for all funds

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate - The discount rate used to measure the total pension liability was 7.50 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a di/scount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10[(a)]	Real Return Years 11+[(b)]
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	100.00%		

(a) An expected inflation of 2.5% used for this period.
(b) An expected inflation of 3.0% used for this period.

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

1% Decrease	6.50%
Net Pension Liability	$ 2,847,811
Current Discount Rate	7.50%
Net Pension Liability	$ 1,623,398
1% Increase	8.50%
Net Pension Liability	$ 600,278

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

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

General Information about the STRS Pension Plan

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

Benefits Provided - STRS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. The cost of living adjustments for the Plan are applied as specified by the retirement Law. The Plan's provisions and benefits in effect at June 30, 2015, are summarized as follows:

Hire date	Prior to January 01, 2013	On or after January 01, 2013
Benefit formula	2% @ 60	2% @ 62
Benefit vesting schedule	5 Years	5 Years
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	50	55
Monthly benefits as a % of eligible compensation	2%	2%
Required employee contribution rates	8%	8%
Required employer contribution rates	8.25%	8%

Employees Covered - At June 30, 2015, the District had 54 employees covered by the benefit terms under the Plan.

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

For the year ended June 30, 2015, the contributions recognized as part of pension expense for the Plan were as follows:

Contributions - employer	$	293,020
Contributions - employee		294,320
Total contributions	$	587,340

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous Plan	$ 7,596,810
Total Net Pension Liability	$ 7,596,810

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2014, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the Plan as of June 30, 2013 and 2014 was as follows:

	Proportion of Net Pension Liability
Proportion - June 30, 2013	0.0130%
Proportion - June 30, 2014	0.0130%
Change	0.0000%

For the year ended June 30, 2015, the District recognized pension expense of $180,700 for the Plan. 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	$ 521,954	$ -
Amortization of differences in earnings and proportions	-	(467,610)
Net differences between projected and actual earnings on plan investments	-	2,338,310
Total	$ 521,954	$ 1,870,700

The District reported $521,954 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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

Fiscal Year Ended June 30	Recognized to Pension Expense
2016	$ 467,610
2017	467,610
2018	467,610
2019	467,870
Total	$ 1,870,700

Actuarial Assumptions - The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.60%
Inflation	3.00%
Payroll Growth	3.75%
Projected Salary Increase	0.5% - 5.6% (1)
Investment Rate of Return	7.60% (2)
Mortality	(3)

(1) Depending on age, service and type of employment
(2) Net of pension plan investment expenses, including inflation
(3) Derived using STRS' membership data for all funds

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 that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increases per AB 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10[a]
Global Equity	47.00%	4.50%
Fixed Income	20.00%	0.20%
Inflation Sensitive	5.00%	3.20%
Private Equity	12.00%	6.20%
Real Estate	15.00%	4.35%
Liquidity	1.00%	0.00%
Total	100.00%	

(a) 10-year geometric average.

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

1% Decrease	6.50%
Net Pension Liability	$ 11,841,440
Current Discount Rate	7.50%
Net Pension Liability	$ 7,303,790
1% Increase	8.50%
Net Pension Liability	$ 4,057,560

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

C. Postemployment Healthcare Plan

Plan Description.

The District provides coverage to the following groups of employees and the District and retirees share in the cost of benefits as follows:

	Administrator	Certificated	Classified
Benefits provided	Medical/Dental/Vision	Medical/Dental/Vision	Medical/Dental/Vision
Duration	5 years	5 years	5 years
Required service	10 Years	10 Years	10 Years
Minimum age	56	56	56
Dependent coverage	No	No	No
District contribution	100%	100%	100%
District cap	Active cap	Active cap	Active cap

All contracts with District employees will be renegotiated at various times in the future and, thus, costs and benefits are subject to change. Benefits and contribution requirements (both employee and employer) for the OPEB Plan are established by various labor agreements.

Funding Policy.

Employees are not required to contribute to the plan. In order to fully fund the plan, the District would be required to contribute the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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 liabilities (or funding excess) over a period not to exceed thirty years. The District's policy is to pay the benefits as a cash outlay after retirement (the pay-as-you-go method).

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 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 liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	$	258,828
Interest on net OPEB obligation		21,354
Adjustment to annual required contribution		(21,076)
Annual OPEB cost (expense)		259,106
Contributions made		(101,635)
Increase in net OPEB obligation		157,471
Net OPEB obligation - beginning of year		370,597
Net OPEB obligation - end of year	$	528,068

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 was as follows:

Fiscal Year Ended		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
6/30/2013	$	225,922	84%	$	255,712
6/30/2014		247,181	54%		370,597
6/30/2015		259,106	39%		528,068

Funded Status and Funding Progress

The most recent actuarial valuation date was July 1, 2012. The following summarizes the funded status of the plan as of June 30, 2015:

Actuarial accrued liability (AAL)	$	2,394,796
Actuarial value of plan assets		-
Unfunded actuarial accrued liability (UAAL)	$	2,394,796
Funded ratio (actuarial value of plan assets/AAL)		0%
Projected covered payroll (active Plan members)	$	7,297,627
UAAL as a percentage of covered payroll		33%

Actuarial Methods and Assumptions

The actuarial present value of the benefits which are allocated to the current year is called the Normal Cost. The actuarial present value of the benefits which are allocated to past years, including the full value of benefits for all former employees, is called the Actuarial Accrued Liability, and is amortized over a period of future years. The ARC is the sum of that amortization and the Normal Cost. Under the entry age normal funding method, normal costs are computed as a level percentage of salary. Amortization of unfunded liability is being made as a level percentage of payroll over the 30-year period beginning July 1 2010. The remaining amortization period at June 30, 2015, was twenty-six years.

In the July 1, 2012 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a discount rate of 5 percent per year and an annual healthcare cost trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 4 percent. The discount rate is the interest rate at which future benefit obligations are discounted back to the present time. GASB 45 requires that the discount rate reflect the expected investment return on the District's investments.

Required Supplementary Information (OPEB Schedule of Funding Progress)

Schedule of Funding Progress - Postemployement Healthcare Plan:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a/c))
10/1/2010	$ -	$ 1,051,036	$ 1,051,036	0.00%	Unkown	Unkown
7/1/2012	-	2,394,796	2,394,796	0.00%	7,297,627	32.82%

D. Early Retirement Incentives

The District has adopted an early retirement incentive program (ERIP), pursuant to *Education Code* Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years. Eligible employees must have five or more years of service under the State Teachers' Retirement System and retire during a period of not more than 120 days or less than 60 days from the date of the formal action taken by the District.

The following is summary of the District's ERIP obligations and future estimated payments as of June 30, 2015:

Year Ending June 30	Principal	Interest	Total
2016	$ 110,908	$ 48,595	$ 159,503
2017	110,908	41,078	151,986
2018	110,908	33,565	144,473
2019	110,908	25,864	136,772
2020	110,908	18,334	129,242
2021-2022	162,468	16,449	178,917
Total Payments	$ 717,008	$ 183,885	$ 900,893

NOTE 11 - JOINT VENTURES (JOINT POWERS AGREEMENTS)

The District participates in one joint venture under a joint powers agreement (JPA), with the San Mateo County Schools Insurance Group, for Property & Liability, Workers' Compensation and Medical/ Dental. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The JPA arranges for and/ or provides coverage for its members. The JPA is governed by a board consisting of a representative from each member district. The board controls the operations of its JPA, including selection of management and approval of operating budgets independent of any influence by the member districts beyond their representation on the Board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to their participation in the JPA.

The following is a summary financial information for the JPA:

	SMCSIG June 30, 2014
Total Assets	$ 17,343,941
Total Liabilities	8,411,639
Total Net Assets	8,932,302
Total Revenues	35,889,261
Total Expenditures	35,880,935

NOTE 12 - COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. If the review or audit discloses exceptions, the District may incur a liability to grantor agencies.

Litigation

The District may be exposed to various claims and litigation. However, District management believes, based on consultation with legal counsel, that the ultimate resolution of these matters would not have a material adverse effect on the District's financial position or results of operations.

REQUIRED
SUPPLEMENTARY
INFORMATION

PORTOLA VALLEY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (GAAP)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual (GAAP Basis)	Positive - (Negative)
Revenues:				
LCFF sources	$ 9,754,723	$ 9,985,400	$ 10,000,961	$ 15,561
Federal	135,842	135,942	106,629	(29,313)
Other state	225,079	243,121	198,065	(45,056)
Other local	2,733,706	2,711,666	2,774,253	62,587
Total revenues	12,849,350	13,076,129	13,079,908	3,779
Expenditures:				
Certificated salaries	6,421,888	6,048,338	6,029,622	18,716
Classified salaries	1,564,255	1,748,666	1,748,657	9
Employee benefits	2,349,163	2,334,299	2,321,720	12,579
Books and supplies	420,639	630,532	538,928	91,604
Services and other operating expenditures	1,233,132	1,157,636	1,135,241	22,395
Capital outlay	183,298	123,232	90,055	33,177
Other outgo	523,650	596,308	596,307	1
Total expenditures	12,696,025	12,639,011	12,460,530	178,481
Excess (deficiency) of revenues over (under) expenditures	153,325	437,118	619,378	182,260
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	153,325	437,118	619,378	182,260
Fund balance beginning	199,853	199,853	1,718,017	(1,518,164)
Fund balances ending	$ 353,178	$ 636,971	$ 2,337,395	$ (1,335,904)

PORTOLA VALLEY SCHOOL DISTRICT
SCHEDULE OF CALPERS PENSION PLAN CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015

		2015
Contractually Required Contributions (Actuarially Determined)	$	172,039
Contributions in Relation to Actuarially Determined Contributions		172,039
Contribution Deficiency (Excess)	$	-
Covered Employee Payroll	**$**	**1,490,611**
Contributions as a Percentage of Covered Payroll		**11.54%**

Notes to Schedule:

Valuation Date:	June 30, 2013
Assumptions Used:	Entry Age Method used for Actuarial Cost Method
	Level Percentage of Payroll (Closed) Used Amortization Method
	3.9 Years Remaining Amortization Period
	Inflation Assumed at 2.75%
	Investment Rate of Returns set at 7.5%
	CalPERS mortality table using 20 years of membership data for all funds

** Fiscal year 2015 was the first year of implementation, therefore only one year is shown

PORTOLA VALLEY SCHOOL DISTRICT
SCHEDULE OF CALPERS PROPORTIONATE SHARE
OF NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015

	2015
District's Proportion of Net Pension Liability	0.01430%
District's Proportionate Share of Net Pension Liability	$ 1,623,398
District's Covered Employee Payroll	$ 1,490,611
District's Proportionate Share of NPL as a % of Covered Employee Payroll	**108.91%**
Plan's Fiduciary Net Position as a % of the TPL	**83.38%**

** Fiscal year 2015 was the first year of implementation, therefore only one year is shown

PORTOLA VALLEY SCHOOL DISTRICT
SCHEDULE OF CALSTRS PENSION PLAN CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015

		2015
Contractually Required Contributions (Actuarially Determined)	$	293,020
Contributions in Relation to Actuarially Determined Contributions		293,020
Contribution Deficiency (Excess)	$	-
Covered Employee Payroll	**$**	**3,573,180**
Contributions as a Percentage of Covered Payroll		**8.20%**

Notes to Schedule:

Valuation Date:	June 30, 2013
Assumptions Used:	Entry Age Method used for Actuarial Cost Method
	Level Percentage of Payroll (Closed) Used Amortization Method
	30 Years Remaining Amortization Period
	Inflation Assumed at 3.0%
	Investment Rate of Returns set at 7.6%
	STRS mortality table using membership data for all funds

** Fiscal year 2015 was the first year of implementation, therefore only one year is shown

PORTOLA VALLEY SCHOOL DISTRICT
SCHEDULE OF CALSTRS PROPORTIONATE SHARE
OF NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015

	2015
District's Proportion of Net Pension Liability	0.01300%
District's Proportionate Share of Net Pension Liability	$ 7,303,790
District's Covered Employee Payroll	$ 3,573,180
District's Proporitionate Share of NPL as a % of Covered Employee Payroll	**204.41%**
Plan's Fiduciary Net Position as a % of the TPL	**76.52%**

** Fiscal year 2015 was the first year of implementation, therefore only one year is shown

SUPPLEMENTARY INFORMATION

PORTOLA VALLEY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	Special Revenue Funds		Capital Projects Fund	
	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Total Nonmajor Funds
Assets				
Cash and investments	$ 14,239	$ 316	$ 220,979	$ 235,534
Accounts receivable	5,481	1	2,508	7,990
Total Assets	$ 19,720	$ 317	$ 223,487	$ 243,524
Liabilities, Deferred Inflows and Fund Balances				
Liabilities:				
Accounts payable	$ 305	$ -	$ -	$ 305
Total Liabilities	305	-	-	305
Fund balances:				
Restricted for cafeteria programs	19,415	-	-	19,415
Assigned for capital facility projects	-	-	223,487	223,487
Assigned for site repairs	-	317	-	317
Total Fund Balances	19,415	317	223,487	243,219
Total Liabilities, Deferred Inflows and Fund Balances	$ 19,720	$ 317	$ 223,487	$ 243,524

PORTOLA VALLEY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Special Revenue Funds		Capital Projects Fund	
	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	Total Nonmajor Funds
Revenues:				
Federal	$ 30,060	$ -	$ -	$ 30,060
Other state	1,777	-	-	1,777
Other local	8,467	23	116,404	124,894
Total revenues	40,304	23	116,404	156,731
Expenditures:				
Pupil services:				
Food services	43,212	-	-	43,212
Facility acquisition and construction	-	-	8,365	8,365
Total expenditures	43,212	-	8,365	51,577
Excess (deficiency) of revenues over (under) expenditures	(2,908)	23	108,039	105,154
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	(2,908)	23	108,039	105,154
Fund balances beginning	22,323	294	115,448	138,065
Fund balances ending	$ 19,415	$ 317	$ 223,487	$ 243,219

COMPLIANCE SECTION

PORTOLA VALLEY SCHOOL DISTRICT
ORGANIZATION
FOR THE YEAR ENDED JUNE 30, 2015

The Portola Valley School District serves approximately 700 students. The District is located in San Mateo County in Portola Valley, California, and operates one K-3 elementary school and one 4-8 middle school.

Governing Board

Name	Office	Term Expires
Jocelyn Swisher	Trustee	2015
Linda Wong	President	2015
Timothy McAdam	Trustee	2017
Caitha Ambler	Clerk	2017
Karen Tate	Trustee	2017

Administration

Lisa Gonzales
Superintendent

Jonathan Barth
Chief Business Official

PORTOLA VALLEY SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Second Period Report	Annual Report
Elementary:		
Grades TK/K through three	271	272
Grades four through six	218	218
Grades seven and eight	118	119
ADA Totals	607	609

PORTOLA VALLEY SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Grade Level	1982-83 Actual Minutes	Reduced 1982-83 Actual Minutes	1986-87 Minutes Requirements	Reduced 1986-87 Minutes Requirements	2015 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Kindergarten	37,735	36,687	36,000	35,000	45,000	180	0	In compliance
Grade 1	50,160	48,767	50,400	49,000	55,080	180	0	In compliance
Grade 2	50,160	48,767	50,400	49,000	55,080	180	0	In compliance
Grade 3	50,160	48,767	50,400	49,000	55,080	180	0	In compliance
Grade 4	56,940	55,358	54,000	52,500	62,716	180	0	In compliance
Grade 5	56,940	55,358	54,000	52,500	62,716	180	0	In compliance
Grade 6	57,005	55,422	54,000	52,500	58,842	180	0	In compliance
Grade 7	57,005	55,422	54,000	52,500	58,842	180	0	In compliance
Grade 8	57,005	55,422	54,000	52,500	58,842	180	0	In compliance

This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46208. School districts that have met their LCFF targets or have not met their LCFF targets, but received longer day and year incentive funding, can not provide less than the 1986-87 minutes requirements; reduced by 5 days for fiscal year 2014-15. There is no longer a requirement to offer minutes offered in 1982-83 for districts that exceeded the minutes listed in the statute and met their LCFF target, or districts that received incentive funding for longer instructional day and year, or for a district that did not meet its LCFF target and participated in the longer day incentive but not the longer year incentive.

PORTOLA VALLEY SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	(Budget [1]) 2016	2015	2014	2013
General Fund				
Revenues and other financial sources	$ 13,250,381	$ 13,079,908	$ 12,760,732	$ 12,645,912
Expenditures	12,781,962	12,460,530	12,352,578	11,657,068
Other uses and transfers out	-	-	-	-
Total outgo	12,781,962	12,460,530	12,352,578	11,657,068
Change in fund balance	$ 468,419	$ 619,378	$ 408,154	$ 988,844
Beginning fund balance restatement:	$ -	$ -	$ (235,572)	$ (9,129)
Ending fund balance	$ 2,805,814	$ 2,337,395	$ 1,718,017	$ 1,545,435
Available reserves (2)	$ 1,926,237	$ 1,656,022	$ 1,094,619	$ 688,202
Unassigned - Reserved for economic uncertainties	$ -	$ -	$ -	$ 688,202
Unassigned fund balance	$ 1,926,237	$ 1,656,022	$ 1,094,619	$ -
Available reserves as a percentage of total outgo	15.07%	13.29%	8.86%	5.90%
Total long-term debt	$ 28,712,175	$ 29,803,626	$ 21,886,286	$ 22,406,325
Average daily attendance at P-2	625	607	627	646

Average daily attendance has decreased by 39 over the past three years. The district anticipates an increase of 18 ADA.

The fund balance in the General Fund has increased by $791,960 over the past three years. For a district this size, the state recommends available reserves of at least 4% of total general fund expenditures, transfers out, other uses (total outgo).

The district earned an operating surplus in each of the past three years. Total long-term debt has increased by $7,397,301 over the past three years.

[1] Budget numbers are based on the first adopted budget of the fiscal year 2015/16.

[2] Available reserves consists of all unassigned fund balances in the general fund, which includes the reserve for economic uncertainties.

PORTOLA VALLEY SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT
TO THE AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Bond Redemption Fund	Other Nonmajor Governmental Funds
June 30, 2015 Annual Financial and Budget Report Fund Balances	$ 2,303,628	$ 1,158,083	$ 276,986
Adjustments and Reclassifications:			
Special Reserve Fund for Other Than Capital Outlay Projects:			
Cash with County Treasury	33,711	-	(33,711)
Accounts Receivable	56	-	(56)
June 30, 2015 Audited Financial Statements Fund Balances	$ 2,337,395	$ 1,158,083	$ 243,219

1. PURPOSE OF SCHEDULES

A. Schedule of Average Daily Attendance

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

B. Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day and Longer Instructional Year. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46206.

C. Schedule of Financial Trends and Analysis

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

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

This schedule provides the information necessary to reconcile the fund balances of all funds as reported in the annual financial and budget report to the audited financial statements.

2. EARLY RETIREMENT INCENTIVE PROGRAM

The District has adopted an early retirement incentive program, pursuant to Education Code Sections 22714 and 44929, whereby the service credit to eligible employees is increased by two years.

OTHER INDEPENDENT AUDITOR'S REPORTS

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

Board of Trustees
Portola Valley School District
Portola Valley, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Portola Valley School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Portola Valley School District's basic financial statements, and have issued our report thereon dated December 10, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Portola Valley School 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,

1475 Saratoga Ave, Suite 180, San Jose, CA 95129
Tel: 408-217-8749 • E-Fax: 408-872-4159
info@cnallp.com • www.cnallp.com

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

C & A LLP

December 10, 2015
San Jose, California

1475 Saratoga Ave, Suite 180, San Jose, CA 95129
Tel: 408-217-8749 • E-Fax: 408-872-4159
info@cnallp.com • www.cnallp.com

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

Board of Education
Portola Valley School District
Portola Valley, California

Report on Compliance for State Programs

We have audited the Portola Valley School District's (the District) compliance with the types of State compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2014-15*, published by the Education Audit Appeals Panel, for the year ended June 30, 2015. The applicable State compliance requirements are identified in the table below.

Management's Responsibility

Compliance with the requirements referred to above is the responsibility of the District's management.

Auditors' Responsibility

Our responsibility is to express an opinion on the District's compliance with the State laws and regulations based on our audit of the types of compliance requirements noted below. 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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2014-15*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance that could have a material effect on compliance with the state laws and regulations referred to below occurred. An audit includes examining, on a test basis, evidence supporting the District compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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

Description	Procedures Performed
Local Education Agencies Other than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	N/A
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes

1475 Saratoga Ave, Suite 180, San Jose, CA 95129
Tel: 408-217-8749 • E-Fax: 408-872-4159
info@cnallp.com • www.cnallp.com

Description	Procedures Performed
Early Retirement Incentive	Yes
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	N/A
Regional Occupational Centers or Programs Maintenance of Effort	N/A
Adult Education Maintenance of Effort	N/A
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	N/A
After School	N/A
Before School	N/A
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Charter Schools:	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study for Charter Schools	N/A
Determination of Funding for Nonclassroom - Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

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

Opinion

In our opinion, Portola Valley School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on State Programs for the fiscal year ended June 30, 2015.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing over compliance and the results of that testing based on the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2014-15*. Accordingly, this report is not suitable for any other purpose.

C & A LLP

December 10, 2015
San Jose, California

1475 Saratoga Ave, Suite 180, San Jose, CA 95129
Tel: 408-217-8749 • E-Fax: 408-872-4159
info@cnallp.com • www.cnallp.com

FINDINGS AND RECOMMENDATIONS

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	**Unmodified**
Internal control over financial reporting:	
Material weaknesses?	____ Yes __x__ No
Significant deficiencies identified not considered to be material weaknesses?	____ Yes __x__ No
Non-compliance material to financial statements noted?	____ Yes __x__ No

Federal Awards

Expenditures of federal awards was less than $500,000

State Awards

Internal control over state programs:	
Material weaknesses?	____ Yes __x__ No
Significant deficiencies identified not considered to be material weaknesses?	____ Yes __x__ No
Type of auditor's report issued on compliance over state programs:	**Unmodified**

Section II – Financial Statement Findings

No findings noted.

Section III – Federal Award Findings and Questioned Costs

No findings noted.

Section IV – State Award Findings and Questioned Costs

No findings noted.

Section II – Financial Statement Findings

No findings noted.

Section III – Federal Award Findings and Questioned Costs

No findings noted.

Section IV – State Award Findings and Questioned Costs

Finding 2014-1; 70000 – Instructional Materials

Criteria or Specific Requirements

The District's governing board is required by the provisions of Education Code Section 60119 to hold a public hearing on or before the end of the eighth week from the first day pupils attended school for that year, prior to making a determination through a resolution as to the sufficiency of textbooks or other instructional materials.

Condition

The District did not hold a public hearing, nor pass a resolution as to the sufficiency of textbooks or other instructional materials, as required by Education Code Section 60119.

Questioned costs

There are no questioned costs associated with this condition.

Context

The purpose of this requirement is to ensure that each pupil in each school had sufficient textbooks or instructional materials aligned to the content standards adopted by the State Board of Education pursuant to Education Code Section 60605 or 60605.8 and consistent with the content and cycles of the curriculum framework adopted by the State Board of Education.

Effect

Instructional materials public hearings requirements are verified for compliance only and does not result in a disallowance of funds.

Cause

The funding for instructional material was removed when the state rolled the categorical programs into the new Local Control Funding Formula. Thus the District believed the compliance requirement to hold the public hearing and pass the resolution was also removed.

(Continued)

Recommendation

We recommend that the District comply with requirements of Education Code Section 60119 by holding a public hearing and passing a resolution as soon as possible in the 2014-15 school year. When management meets with principals in preparation for the 2015-16 school year, we recommend that they communicate the public hearing and resolution requirements of Education Code Section 60119 and inform the school Board about the timing of the required public hearing and the needed resolution to ensure compliance with education code.

District Response

The District agrees with the findings and recommendations

Status

Implemented

(Concluded)