Annual Financial Report
June 30, 2020

Los Gatos-Saratoga Joint Union High School District

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Financial Section

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Los Gatos-Saratoga Joint Union High School District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Los Gatos-Saratoga Joint Union High School District, as of June 30, 2020, and the respective changes in financial position 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, budgetary comparison schedule, schedule of changes in the District's total other postemployment benefits (OPEB) liability and related ratios, schedule of the District's proportionate share of the net OPEB liability-MPP Program, schedule of the District's proportionate share of the net pension liability, schedule of district contributions for pension, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Los Gatos-Saratoga Joint Union High School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and the other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information as listed in 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2021, on our consideration of the Los Gatos-Saratoga Joint Union High 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Los Gatos-Saratoga Joint Union High School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Los Gatos-Saratoga Joint Union High School District's internal control over financial reporting and compliance.

Eide Bailly LLP

Menlo Park, California
March 24, 2021

This section of Los Gatos-Saratoga Union High School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2020, with comparative information for the year ended June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Profile of the District

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

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

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

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

Financial Highlights

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

The General Fund expenditures per student in 2019-2020 were $17,050. This was a decrease of $372 from last year's per student spending of $17,422 in 2018-2019.

The 2011-2012 year marked the first year of parcel tax income. With the slow growth in property values and reduction in state categorical money through a basic aid "fair share" reduction, the governing board authorized a parcel tax election on May 3, 2011. The parcel tax passed with a 72 percent passage rate and became effective July 1, 2011. The parcel tax was reauthorized in May 2016, effective July 1, 2017 and sunsetting on June 30, 2025. The parcel tax generated $951,181 in 2019-2020. The tax is $49 per parcel per year and a senior citizen exemption is available to seniors 65 years or older. A parcel tax oversight committee comprised of community members ensured that these funds were used for students and programs, in full compliance with voter authorized activities, and not for administrative salaries.

Overview of the Financial Statements

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

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

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

Government-wide Statements

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

Financial Analysis of the District as A Whole

Net Position

The District's combined net position was $8.51 million as of June 30, 2020. This table summarizes the District's net position. The net position in the current year decreased due to the increase in depreciation of assets.

	Governmental Activities (in thousands of dollars)			
	2020	2019	VAR$	VAR%
Assets				
Current and other assets	$ 45,167	$ 51,051	$ (5,884)	-11.5%
Capital assets	117,479	122,982	(5,503)	-4.5%
Total assets	162,646	174,033	(11,387)	-6.5%
Deferred outflows of resources	15,634	14,543	1,091	7.5%
Liabilities				
Current liabilities	2,402	4,382	(1,980)	-45.2%
Long-term liabilities	160,476	164,793	(4,317)	-2.6%
Total liabilities	162,878	169,175	(6,297)	-3.7%
Deferred inflows of resources	3,767	3,602	165	4.6%
Net Position				
Net investment in capital assets	48,081	46,218	1,863	4.0%
Restricted	8,054	11,976	(3,922)	-32.8%
Unrestricted	(44,499)	(42,395)	(2,104)	5.0%
Total net position	$ 11,636	$ 15,799	$ (4,163)	-26.4%

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 22. The table below takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

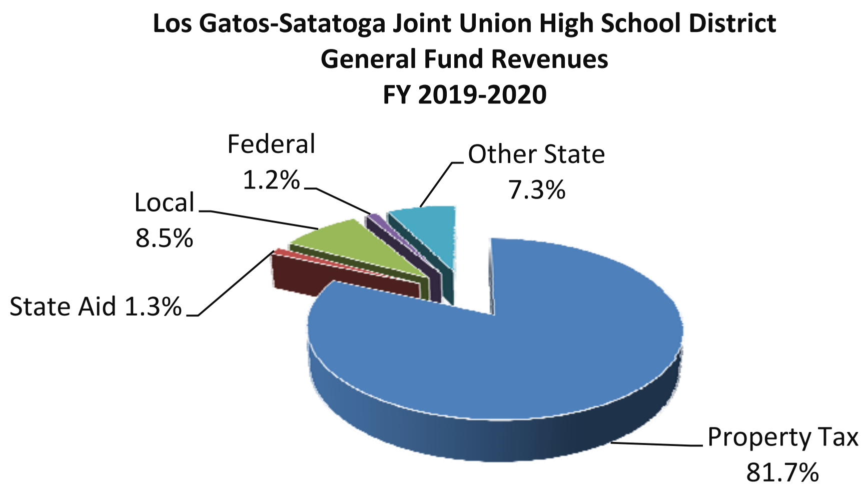
	Governmental Activities (in thousands of dollars)			
	2020	2019	VAR$	VAR%
Revenues				
Program revenues				
Charges for services	$ 356	$ 452	$ (96)	-21%
Operating grants and contributions	5,919	6,118	(199)	-3%
General revenues				
Federal and State aid not restricted	1,585	2,217	(632)	-28%
Property taxes	59,230	60,220	(990)	-2%
Other general revenues	2,332	5,912	(3,580)	-61%
Total revenues	69,423	74,919	(5,496)	-7%
Expenses				
Instruction-related	48,948	49,214	(266)	-1%
Pupil services	7,528	7,598	(70)	-1%
Administration	4,894	4,866	28	1%
Plant services	7,153	8,248	(1,095)	-13%
Other	5,064	6,690	(1,626)	-24%
Total expenses	73,586	76,616	(3,030)	-4%
Change in net position	$ (4,163)	$ (1,697)	$ (2,466)	145%

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

	Governmental Activities (in thousands of dollars)			
	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Instruction	$ 48,948	$ 49,214	$ (44,853)	$ (45,439)
Pupil services	7,528	7,598	(7,016)	(6,838)
Administration	4,894	4,866	(4,796)	(4,711)
Plant services	7,153	8,248	(7,085)	(7,956)
All other services	5,064	6,690	(3,560)	(5,103)
Total	$ 73,586	$ 76,617	$ (67,310)	$ (70,046)

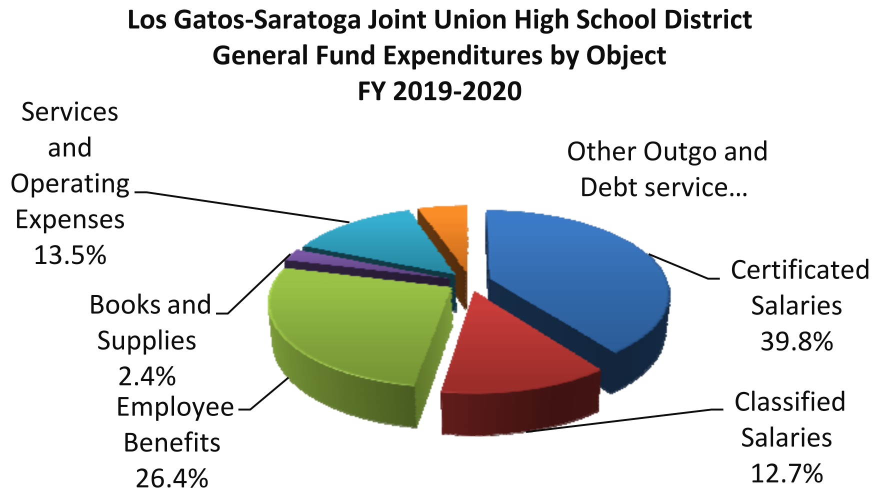
Financial Analysis of the District's General Fund

The District is community funded (also referred to as “basic aid”), which means that the District relies on local property taxes rather than State aid for the majority of its revenue. General Fund revenues for 2019-2020 excluding transactions related to the Special Revenue Fund for other than Capital Outlay Fund, decreased by $186,035 (0.3%) below the previous year. Property tax revenues increased by $2,294,450 (4.9%). (Note: Other charts are incorporated in Adopted Budget on the District Web Page www.lgsuhsd.org.)

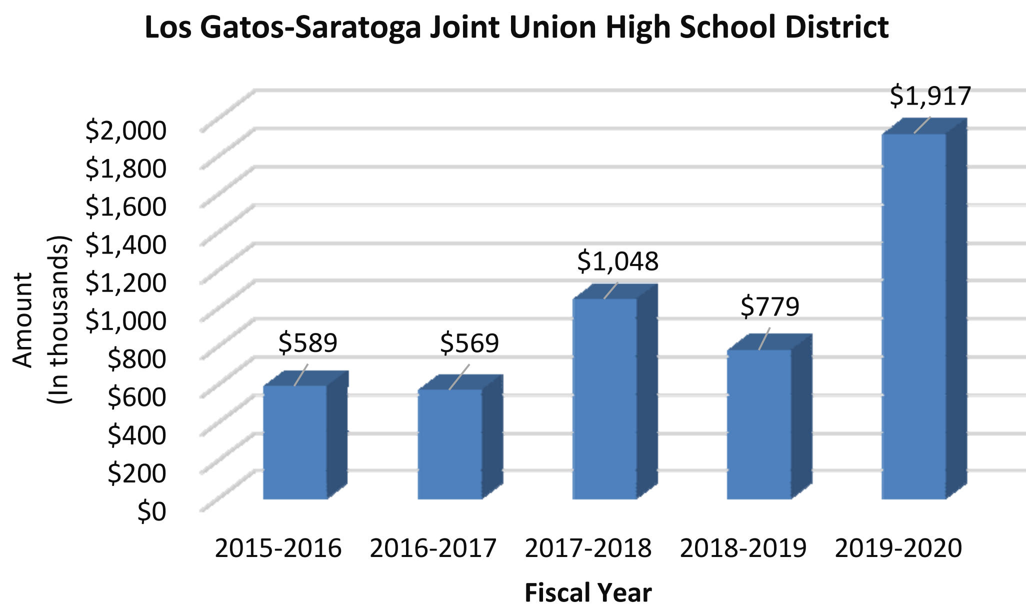


Expenditures decreased by $2,068,746 below the previous year. As is common with virtually all school districts, the vast majority of expenditures in the General Fund are for salaries and benefits.

Of the total amount expended during 2019-2020, 82.3% was spent on salaries and benefits. See the chart below for a breakdown of General Fund expenditures.



In the General Fund, excluding Special Reserves for other than Capital Outlay Fund, total revenues were $62.05 million and expenditures, including transfers out, were $60.92 million. This resulted in an ending fund balance of $1.92 million. Of this amount, $368,168 is restricted or nonspendable and $1,548,819 is unassigned. The District's reserve level is 7.9%. The State requires reserves of 3% of General Fund expenditures and other uses. Available reserves are $3.2 million which come from our Special Reserve – Other Than Capital Outlay Fund. Although the available reserves exceed the state required minimum, these monies can only fund one-time expenditures and should not be used to support ongoing expenses.



General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 23, 2020. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 69.

Capital Asset and Debt Administration

Capital Assets

At the close of the year ended June 30, 2020, the District had invested $114.3 million in a wide range of capital assets, including school buildings, fields, computer equipment and vehicles. The net book value of total assets decreased by $5.4 million from the prior year.

	Governmental Activities (in thousands of dollars)			
	2020	2019	VAR$	VAR%
Land and construction in progress	$ 4,485	$ 6,423	$ (1,938)	-30.2%
Buildings and improvements	111,763	115,386	(3,622)	-3.1%
Equipment	1,230	1,172	58	4.9%
Total	$ 117,479	$ 122,981	$ (5,503)	-4.5%

Long-Term Obligations

The District has long-term obligations other than pensions and OPEB totaling $98.4 million as of June 30, 2020. The major portion of the debt is for the General Obligation (GO) Bonds. The GO bonds are funded primarily from property tax overrides through General Obligation bond issues. The following table provides the breakdown of the long-term liabilities:

	Governmental Activities (in thousands of dollars)			
	2020	2019	VAR$	VAR%
Long-Term Liabilities				
General obligation bonds	$ 88,930,000	$ 95,760,000	$ (6,830,000)	-7.1%
Certificates of participation	2,634,000	3,538,000	(904,000)	-25.6%
Unamortized premiums/(discounts)	6,357,058	7,286,922	(929,864)	-12.8%
Capital leases	124,014	172,110	(48,096)	-27.9%
Compensated absences	385,391	321,647	63,744	19.8%
OPSC loan	-	90,908	(90,908)	-100.0%
Total OPEB liability	7,360,383	5,351,307	2,009,076	37.5%
Aggregate net pension liability	54,684,994	52,271,699	2,413,295	4.6%
Total	$ 160,475,840	$ 164,792,593	$ (4,316,753)	-2.6%

At year-end, the District has a long-term pension liability of $54.7 million versus $52.3 million last year, and increase of $2.4 million, or 4.6 percent. The District implemented the provisions of GASB 68 in 2014-2015, which required the District to recognize its proportionate share of the unfunded pension liability. The District participates in both CalPERS and CalSTRS and therefore the aggregate net pension liability as of year-end was reflected on the financial statements in the amount of $54.7 million.

The District implemented the provisions of GASB 75 in 2018-2019, which required the District to recognize its unfunded OPEB liability. As of June 30, 2020, the District reported $7.7 million in total OPEB liability. The District presents more detailed information regarding pension liability in Note 10.

The District's long-term debt other than the pensions and OPEB has decreased by $8.7 million. This was mainly due to a new general obligation bond payment in the current fiscal year. Refer to Note 9 in the accompanying financial statements for additional information on long-term obligations.

Factors Bearing on the District's Future

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

In 2013 the state enacted the California Public Employees' Pension Reform Act (PEPRA) to strengthen both retirement systems: CalPERS and CalSTRS. Along with this reform, school employers were required to contribute an increasing percentage of members' salaries into both plans. Rates are projected to increase from 19.721% (CalPERS) and 17.10% (CalSTRS) in 2019-2020 to 20.70% (CalPERS) and 16.15% (CalSTRS) in 2020-2021. These increases are straining school budgets across California. Los Gatos-Saratoga Union High School District has built these increases into its current budget and multi-year projections. Depending on how strong property tax revenue increases are in the future, the district may eventually need to constrain spending in other areas of the budget to accommodate these increased costs.

Contacting the District's Financial Management

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

	Governmental Activities
Assets	
Deposits and investments	$ 43,079,376
Receivables	1,348,506
Due from other governments	730,810
Stores inventories	8,291
Capital assets not depreciated	4,485,030
Capital assets, net of accumulated depreciation	112,993,491
Total assets	162,645,504
Deferred Outflows of Resources	
Deferred charge on refunding	71,132
Deferred outflows of resources related to OPEB	1,097,858
Deferred outflows of resources related to pensions	14,465,324
Total deferred outflows of resources	15,634,314
Liabilities	
Accounts payable	776,202
Interest payable	1,362,162
Unearned revenue	263,355
Long-term liabilities	
Long-term liabilities other than OPEB and pension	
Due within one year	3,793,283
Due in more than one year	94,637,180
Total other postemployment benefits liabilities (OPEB)	7,360,383
Aggregate net pension liabilities	54,684,994
Total liabilities	162,877,559
Deferred Inflows of Resources	
Deferred inflows of resources related to pensions	3,766,568
Total deferred inflows of resources	3,766,568
Net Position	
Net investment in capital assets	48,081,087
Restricted for	
Debt service	2,764,142
Capital projects	4,924,409
Educational programs	357,018
Food services	8,291
Unrestricted	(44,499,256)
Total net position	$ 11,635,691

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities				
Instruction	$ 41,150,282	$ 8,824	$ 3,688,799	$ (37,452,659)
Instruction-related activities				
Supervision of instruction	1,487,261	866	128,612	(1,357,783)
Instructional library, media, and technology	1,228,219	-	25,433	(1,202,786)
School site administration	5,081,802	481	241,622	(4,839,699)
Pupil services				
Home-to-school transportation	789,783	-	16,984	(772,799)
Food services	1,145,338	2,814	9,143	(1,133,381)
All other pupil services	5,592,812	-	482,819	(5,109,993)
Administration				
Data processing	1,058,643	-	1,668	(1,056,975)
All other administration	3,835,326	-	96,009	(3,739,317)
Plant services	7,152,584	1,685	66,057	(7,084,842)
Ancillary services	2,174,389	15,873	103,679	(2,054,837)
Community services	245,694	-	-	(245,694)
Enterprise services	82,786	-	-	(82,786)
Interest on long-term liabilities	2,454,523	-	-	(2,454,523)
Other outgo	106,420	325,852	1,058,581	1,278,013
Total primary government	$ 73,585,862	$ 356,395	$ 5,919,406	(67,310,061)
General Revenues and Subventions				
Property taxes, levied for general purposes				50,770,150
Property taxes, levied for debt service				5,298,579
Taxes levied for other specific purposes				3,161,160
Federal and State aid not restricted to specific purposes				1,585,234
Interest and investment earnings				762,471
Interagency revenues				1,554
Special and extraordinary				25,233
Miscellaneous				1,542,542
Subtotal, general revenues				63,146,923
Change in Net Position				(4,163,138)
Net Position - Beginning				15,798,829
Net Position - Ending				$ 11,635,691

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	$ 6,260,102	$ 28,527,021	$ 4,117,501	$ 4,174,752	$ 43,079,376
Receivables	1,877,326	120,526	8,803	72,661	2,079,316
Due from other funds	-	-	-	2,083,782	2,083,782
Stores inventories	-	-	-	8,291	8,291
Total assets	$ 8,137,428	$ 28,647,547	$ 4,126,304	$ 6,339,486	$ 47,250,765
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ 689,367	$ 71,041	$ -	$ 15,794	$ 776,202
Due to other funds	2,083,782	-	-	-	2,083,782
Unearned revenue	184,003	-	-	79,352	263,355
Total liabilities	2,957,152	71,041	-	95,146	3,123,339
Fund Balances					
Nonspendable	11,150	-	-	8,291	19,441
Restricted	357,018	28,576,506	4,126,304	4,924,409	37,984,237
Committed	-	-	-	1,311,640	1,311,640
Unassigned	4,812,108	-	-	-	4,812,108
Total fund balances	5,180,276	28,576,506	4,126,304	6,244,340	44,127,426
Total liabilities and fund balances	$ 8,137,428	$ 28,647,547	$ 4,126,304	$ 6,339,486	$ 47,250,765

Total Fund Balance - Governmental Funds		$ 44,127,426
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	$ 202,610,440	
Accumulated depreciation is	(85,131,919)	
Net capital assets		117,478,521
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(1,362,162)
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Debt refundings	71,132	
Other postemployment benefits	1,097,858	
Net pension obligation	14,465,324	
Total deferred outflows of resources		15,634,314
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Net pension obligation		(3,766,568)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(54,684,994)
The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(7,360,383)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of		
General obligation bonds	(95,249,322)	
Certificates of participation	(2,671,736)	
Capital leases payable	(124,014)	
Compensated absences (vacations)	(385,391)	
Total long-term liabilities		(98,430,463)
Total net position - governmental activities		$ 11,635,691

Revenues					
Local control funding formula	$ 51,578,256	$ -	$ -	$ -	$ 51,578,256
Federal sources	719,937	-	-	-	719,937
Other state sources	4,525,109	8,805	14,743	-	4,548,657
Other local sources	5,226,011	602,949	5,349,944	1,154,383	12,333,287
Total revenues	62,049,313	611,754	5,364,687	1,154,383	69,180,137
Expenditures					
Current					
Instruction	33,627,255	-	-	-	33,627,255
Instruction-related activities					
Supervision of instruction	1,243,982	-	-	-	1,243,982
Instructional library, media, and technology	1,066,991	-	-	-	1,066,991
School site administration	4,110,730	-	-	-	4,110,730
Pupil services					
Home-to-school transportation	505,751	-	-	-	505,751
Food services	78,277	-	-	928,724	1,007,001
All other pupil services	4,912,147	-	-	-	4,912,147
Administration					
Data processing	930,777	-	-	-	930,777
All other administration	3,261,750	-	-	-	3,261,750
Plant services	5,886,601	-	-	159,637	6,046,238
Ancillary services	1,870,298	-	-	-	1,870,298
Community services	216,018	-	-	-	216,018
Other outgo	106,420	-	-	-	106,420
Enterprise services	14,924	-	-	-	14,924
Capital outlay	568,444	2,139,663	-	132,628	2,840,735
Debt service					
Principal	48,096	-	6,830,000	994,908	7,873,004
Interest and other	10,540	-	3,415,504	94,011	3,520,055
Total expenditures	58,459,001	2,139,663	10,245,504	2,309,908	73,154,076
Excess (Deficiency) of Revenues Over Expenditures	3,590,312	(1,527,909)	(4,880,817)	(1,155,525)	(3,973,939)
Other Financing Sources (Uses)					
Transfers in	-	-	-	2,456,283	2,456,283
Other sources	25,233	-	-	-	25,233
Transfers out	(2,456,283)	-	-	-	(2,456,283)
Net Financing Sources (Uses)	(2,431,050)	-	-	2,456,283	25,233
Net Change in Fund Balances	1,159,262	(1,527,909)	(4,880,817)	1,300,758	(3,948,706)
Fund Balance - Beginning	4,021,014	30,104,415	9,007,121	4,943,582	48,076,132
Fund Balance - Ending	$ 5,180,276	$ 28,576,506	$ 4,126,304	$ 6,244,340	$ 44,127,426

Total Net Change in Fund Balances - Governmental Funds		$ (3,948,706)
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.		
This is the amount by which depreciation exceeds capital outlays in the period.		
Depreciation expense	$ (8,079,571)	
Capital outlays	2,576,857	
Net expense adjustment		(5,502,714)
In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used.		(63,744)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(2,565,658)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.		(1,020,852)
Deferred amounts on refunding (the difference between the reacquisition price of the net carrying amount of the refunded debt) are capitalized and amortized over the remaining life of the new or old debt, whichever is shorter.		90,841
Governmental funds report the effect of premiums, discounts, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.		
Premium amortization	898,416	
Discount amortization	31,448	
Total amortization		929,864

Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		
General obligation bonds	6,830,000	
Certificates of participation	904,000	
Capital leases	48,096	
Office of Public School Construction loan	90,908	
Total principal payments		7,873,004
Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due.		44,827
Change in net position of governmental activities		$ (4,163,138)

	Scholarship Trust	Agency Funds
Assets		
Deposits and investments	$ 432,588	$ 1,216,599
Receivables	1,774	-
Total assets	434,362	$ 1,216,599
Liabilities		
Due to student groups	-	$ 1,216,599
Total liabilities	-	$ 1,216,599
Net Position		
Restricted for scholarship	434,362	
Total net position	$ 434,362	

	Scholarship Trust
Additions	
Interest	$ 8,379
Deductions	
Scholarships awarded	4,000
Change in Net Position	4,379
Net Position - Beginning	429,983
Net Position - Ending	$ 434,362

Note 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

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

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

Basis of Presentation - Fund Accounting

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

Governmental Funds

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

Major Governmental Funds

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

As a result, the General Fund reflects an increase in fund balance of $3,263,289.

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

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

Non-Major Governmental Funds

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

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

- **Deferred Maintenance Fund** The Deferred Maintenance Fund **is** used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

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

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

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

- **Special Reserve Fund for Capital Outlay Projects** The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (*Education Code* Section 42840).

Debt Service Funds The Debt Service fund are used to account for the accumulation of resources for and the payment of principal and interest on general long-term liabilities. The District has only one debt service fund, Bond Interest and Redemption Fund that is a major fund and is presented under “major government funds” paragraph previously.

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

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

Basis of Accounting - Measurement Focus

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

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

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

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

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

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

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

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

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

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

Deposits

The District's cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

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

Prepaid Expenditures (Expenses)

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

Stores Inventories

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

Capital Assets and Depreciation

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

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

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

Interfund Balances

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Liabilities

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

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

Debt Issuance Costs, Premiums and Discounts

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items. The deferred charge on refunding resulted from the difference between the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate to differences between expected and actual earnings on investments, changes of assumptions, and other pension and OPEB related changes.

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

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Fund Balances - Governmental Funds

As of June 30, 2020, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than 3 percent of General Fund expenditures and other financing uses.

Net Position

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

Interfund Activity

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

Estimates

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

Property Tax

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

Change in Accounting Principles

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations.
- Statement No. 84, Fiduciary Activities.
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period.
- Statement No. 90, Majority Equity Interests.
- Statement No. 91, Conduit Debt Obligations.
- Statement No. 92, Omnibus 2020.
- Statement No. 93, Replacement of Interbank Offered Rates.
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).
- Implementation Guide No. 2018-1, Implementation Guidance Update—2018.
- Implementation Guide No. 2019-1, Implementation Guidance Update—2019.
- Implementation Guide No. 2019-2, Fiduciary Activities.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, Leases.
- Implementation Guide No. 2019-3, Leases.

The provisions of this Statement have been implemented as of June 30, 2020.

New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

As a result of the implementation of GASB No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

As a result of the implementation of GASB No. 95, the requirements of this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

As a result of the implementation of GASB No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

In August 2018, the GASB issued Statement 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reporting.
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan.
- The applicability of Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits.
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements.
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition.
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers.

- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature.
- Terminology used to refer to derivative instruments.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment.
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate.
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable.
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap.
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap.
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended.
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

As a result of the implementation of GASB Statement No. 95, the removal of LIBOR as an appropriate benchmark interest rate (paragraph 11b) is effective for reporting periods ending after December 31, 2021. Paragraph 13 and 14 related to lease modifications is effective for reporting periods beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2020, the GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The effects of this change on the District’s financial statements have not yet been determined.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2020, are classified in the accompanying financial statements as follows:

Governmental funds	$ 43,079,376
Fiduciary funds	1,649,187
Total deposits and investments	$ 44,728,563

Deposits and investments as of June 30, 2020, consist of the following:

Cash on hand and in banks	$ 1,216,599
Cash with fiscal agent	9,516
Cash in revolving	11,150
Investments	43,491,298
Total deposits and investments	$ 44,728,563

Policies and Practices

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

Investment in County Treasury **-** The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. The pool is not registered with Security Exchange Committee.

General Authorizations

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

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

Interest Rate Risk

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

The District monitors the interest rate risk inherent in its portfolio by measuring the maturity of its portfolio. The weighted average maturity of the Santa Clara County Pool was 517 days on June 30, 2020.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measure by the assignment of a rating by a nationally recognized statistical rating organization. The Santa Clara County Investment Pool was unrated on June 30, 2020.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. As of June 30, 2020, the District's bank balance in the amount of $1,000,579 was exposed to custodial credit risk.

Note 3 - Fair Value Measurements

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

- Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District’s own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Santa Clara County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at $1.00 net asset value per share. The County Treasury Pool has a daily redemption frequency period and a one-day redemption notice period.

Note 4 - Receivables

Receivables at June 30, 2020, consist of the following sources. All receivables are considered collectible in full.

	Government Activities					
	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total	Fiduciary Funds
Federal Government						
Categorical aid	$ 629,965	$ -		$ -	$ 629,965	$ -
State Government						
LCFF apportionment	172,184	-	-	-	172,184	-
Categorical aid	100,845	-		-	100,845	-
Lottery	175,436	-		-	175,436	-
Local Government						
Interest	33,900	120,526	8,803	15,809	179,038	1,774
Other local sources	764,996	-	-	56,852	821,848	-
Total	$ 1,877,326	$ 120,526	$ 8,803	$ 72,661	$ 2,079,316	$ 1,774

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Governmental Activities				
Capital assets not being depreciated				
Land	$ 48,953	$ -	$ -	$ 48,953
Construction in progress	6,374,204	1,188,428	(3,126,555)	4,436,077
Total capital assets not being depreciated	6,423,157	1,188,428	(3,126,555)	4,485,030
Capital assets being depreciated				
Land improvements	11,469,636	2,424	-	11,472,060
Buildings and improvements	179,193,099	4,236,613	-	183,429,712
Furniture and equipment	2,947,691	275,947	-	3,223,638
Total capital assets being depreciated	193,610,426	4,514,984	-	198,125,410
Total capital assets	200,033,583	5,703,412	(3,126,555)	202,610,440
Accumulated depreciation				
Land improvements	(1,814,373)	(573,856)	-	(2,388,229)
Buildings and improvements	(73,462,736)	(7,287,575)	-	(80,750,311)
Furniture and equipment	(1,775,239)	(218,140)	-	(1,993,379)
Total accumulated depreciation	(77,052,348)	(8,079,571)	-	(85,131,919)
Governmental activities capital assets, net	$ 122,981,235	$ (2,376,159)	$ (3,126,555)	$ 117,478,521

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

Governmental Activities		
Instruction	$	4,615,768
Supervision of instruction		170,753
Instructional library media, and technology		146,458
Administration		564,250
Home-to-school transportation		69,421
Food services		138,224
Other pupil services		674,255
Ancillary services		256,722
Community services		29,651
Enterprise		2,049
All other general admin.		447,716
Data processing service		127,761
Plant services		829,923
Total depreciation expenses governmental activities	$	8,072,951

Note 6 - Interfund Transactions

Interfund Receivables/Payables (Due to/Due from)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund Receivables/Payables (Due to/Due from) for the year ended June 30, 2020, consisted of the General Fund due to Cafeteria Fund in the amount of $48,248 and to the Special Reserve Fund for Capital Outlay Projects in the amount of $2,035,534, totaling $2,083,782.

Interfund Transfers

Interfund transfers for the year ended June 30, 2020, consisted of the following:

The General Fund transferred to the Cafeteria Non-Major Governmental Fund to cover the expenditure of the food service program.	$	246,418
The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund to fund fiscal year and other medium and long term deferred maintenance projects.		200,000
The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects Non-Major Governmental to fund Certificate of Participation ("COPs") principal and interest payments.		2,009,865
Total	$	2,456,283

Note 7 - Deferred Amounts on Refunding

Deferred inflows of resources are an acquisition of net position by the District that is applicable to a future reporting period. For governmental activities, the net investment in capital assets amount of $48,081,087 includes the effect of deferring the recognition of loss of $71,132 from advance refunding. The loss will be recognized as expense and as a decrease in net position over the remaining life of related liabilities.

The changes in the District's deferred gain (loss) on refunding during the year are as follows:

	Balance June 30, 2019	Additions	Deductions	Balance June 30, 2020
2012 General obligation bond	$ (79,853)	$ -	$ 25,758	$ (54,095)
2014 General obligation bond	124,713	-	(124,713)	-
2012 Certificates of participation	(25,151)	-	8,114	(17,037)
	$ 19,709	$ -	$ (90,841)	$ (71,132)

Note 8 - Accounts Payable

Accounts payable at June 30, 2020, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Vendor payables	$ 591,982	$ 71,041	$ 15,794	$ 678,817
Salaries and benefits	97,385	-		97,385
Total	$ 689,367	$ 71,041	$ 15,794	$ 776,202

Note 9 - Long-Term Liabilities other than OPEB and Pensions

Summary

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

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
GOB	$ 95,760,000	$ -	$ (6,830,000)	$ 88,930,000	$ 2,345,000
COP	3,538,000	-	(904,000)	2,634,000	925,000
GOB premiums	7,217,738	-	(898,416)	6,319,322	440,797
COP premiums	69,184	-	(31,448)	37,736	31,448
Capital leases	172,110	-	(48,096)	124,014	51,038
Compensated absences	321,647	63,744	-	385,391	-
OPSC loan	90,908	-	(90,908)	-	-
Total	$ 107,169,587	$ 63,744	$ (8,802,868)	$ 98,430,463	$ 3,793,283

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

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019	Redeemed	Bonds Outstanding June 30, 2020
2012	2023	2.0-3.0%	$ 9,785,000	$ 4,855,000	$ (875,000)	$ 3,980,000
2014	2045	2.0-5.0%	45,000,000	37,760,000	-	37,760,000
2014	2019	2.0-4.0%	27,185,000	3,420,000	(3,420,000)	-
2016	2036	2.0-4.0%	54,000,000	49,725,000	(2,535,000)	47,190,000
				$ 95,760,000	$ (6,830,000)	$ 88,930,000

Bond Debt Service Requirements to Maturity

The bonds mature through 2045 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2021	$ 2,345,000	$ 3,268,600	$ 5,613,600
2022	2,555,000	3,205,425	5,760,425
2023	2,795,000	3,130,750	5,925,750
2024	3,055,000	3,037,725	6,092,725
2025	2,225,000	2,951,625	5,176,625
2026-2030	15,480,000	13,187,700	28,667,700
2031-2035	24,385,000	9,512,650	33,897,650
2036-2040	19,975,000	4,650,400	24,625,400
2041-2045	16,115,000	1,711,100	17,826,100
Total	$ 88,930,000	$ 44,655,975	$ 133,585,975

Office of Public Schools Construction Loan

In May 2008, the Los Gatos-Saratoga Joint Union High School District Financing Corporation issued a note payable to the Office of Public Schools Construction in the amount of $761,916 with interest rates set at 4.161% to be repaid over eight years commencing in 2012. As of June 30, 2020, the District has paid off the loan.

Certificates of Participation

On August 1, 2008, the District issued two certificates of participation (COP) totaling $7,070,000. These certificates of participation were issued to finance the cost of a high school technology project, school sports facilities improvements, and construction of administrative and commercial office space. During 2017, the District issued refunding certificates of participation (refunding certificates) in the amount of $3,059,000 with interest ranging from 2.0 to 2.5 percent to refund $3,335,000 of these two COPs. As of June 30, 2020, the principal outstanding of the 2017 refunding certificates was $1,929,000.

On October 18, 2012, the District issued refunding certificates of participation in the amount of $2,845,000 with interest ranging from 2.0 to 5.0 percent to refund $2,950,000 of outstanding 2001 certificates of participation. As of June 30, 2020 the principal outstanding was $705,000.

The certificates mature through 2024 as follows:

Year Ending June 30,	Principal	Interest	Total
2021	$ 925,000	$ 67,702	$ 992,702
2022	954,000	38,830	992,830
2023	606,000	8,950	614,950
2024	149,000	1,475	150,475
Total	$ 2,634,000	$ 116,957	$ 2,750,957

Capital Leases

The District has entered into a 4-year capital lease in the amount of $228,377 for equipment with 6.58% interest rate. Such agreement is, in substance, purchase (capital leases) and is reported capital lease obligation. The capital lease matures through 2023 as follows:

	Copier
Balance, July 1, 2019	$ 190,315
Payments	(57,094)
Balance, July 1, 2020	$ 133,221

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2021	$ 57,094
2022	57,094
2023	19,033
Total	133,221
Less amount representing interest	(9,207)
Present value of minimum lease payments	$ 124,014

Compensated Absences

The long-term portion of compensated absences for the District at June 30, 2020 amounted to $385,391.

Note 10 - Other Postemployment Benefits

For the fiscal year ended June 30, 2020, the District reported total OPEB liability, deferred outflows of resources, and OPEB expense for the following plans:

OPEB Plan	Total OPEB Liability	Deferred Outflows of Resources	OPEB Expense
Retiree Health Plan	$ 7,064,753	$ 1,097,858	$ 838,377
Medicare Premium Payment (MPP) Program	295,630	-	295,630
Total	$ 7,360,383	$ 1,097,858	$ 1,134,007

The details of each plan are as follows:

Retiree Health Plan

Plan Administration

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

Plan Membership

At June 30, 2020, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	40
Active employees	263
Total	303

Benefits Provided

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

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

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

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, the various represented groups, and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2019-2020, the District contributed $113,154 to the Plan, all of which was used for current premiums.

Total OPEB Liability of the District

The District's total OPEB liability of $7,064,753 was measured and determined by an actuarial valuation as of June 30, 2020.

Actuarial Assumptions

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75	percent
Salary increases	2.75	percent, average, including inflation
Discount rate	2.20	percent
Healthcare cost trend rates	4.00	percent

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

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actual experience study for the period July 1, 2019 to June 30, 2020.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2019	$ 5,351,307
Service cost	544,039
Interest	194,836
Differences between expected and actual experience	755,456
Changes of assumptions or other inputs	332,269
Benefit payments	(113,154)
Net change in total OPEB liability	1,713,446
Balance, June 30, 2020	$ 7,064,753

Changes of assumptions and other inputs reflect a change in the discount rate from 3.5 percent in 2019 to 2.2 percent in 2020.

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.2 percent) or 1-percentage-point higher (3.2 percent) than the current discount rate:

Discount Rate	Total OPEB Liability
1% decrease (1.20%)	$ 7,617,330
Current discount rate (2.20%)	7,064,753
1% increase (3.20%)	6,542,747

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

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

Healthcare Cost Trend Rates	Total OPEB Liability
1% decrease (3.0%)	$ 6,217,201
Current healthcare cost trend rate (4.0%)	7,064,753
1% increase (5.0%)	8,059,177

OPEB Expense and Deferred Outflows of Resource related to OPEB

For the year ended June 30, 2020, the District recognized OPEB expense of $838,377. The amount was recorded in the Statement of Activities.

At June 30, 2020, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	$ 693,533
Changes of assumptions	404,325
Total	$ 1,097,858

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 99,501
2022	99,501
2023	99,501
2024	99,501
2025	99,501
Thereafter	600,353
Total	$ 1,097,858

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB)Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2020, the District reported a liability of $295,630 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively, was 0.0794 percent, and 0.0776 percent, resulting in a net increase in the proportionate share of 0.0018 percent.

For the year ended June 30, 2020, the District recognized OPEB expense of $295,630.

Actuarial Methods and Assumptions

The June 30, 2019 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total OPEB liability to June 30, 2019, using the assumptions listed in the following table:

Measurement Date	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2018	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Investment Rate of Return	3.50%	3.87%
Medicare Part A Premium Cost Trend Rate	3.70%	3.70%
Medicare Part B Premium Cost Trend Rate	4.10%	4.10%

For the valuation as of June 30, 2018, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP 2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 380 or an average of 0.23 percent of the potentially eligible population (165,422).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2019, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2019, is 3.50 percent. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.50 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2019, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.37 percent from 3.87 percent as of June 30, 2018.

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Net OPEB Liability
1% decrease (2.50%)	$ 322,599
Current discount rate (3.50%)	295,630
1% increase (4.50%)	270,832

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District's proportionate share of the net OPEB liability calculated using the Medicare costs trend rates, as well as what the net pension liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	$ 277,093
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	295,630
1% increase (4.7% Part A and 5.1% Part B)	332,655

Note 11 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	$ 11,150	$ -	$ -	$ -	$ 11,150
Stores inventories	-	-	-	8,291	8,291
Total nonspendable	11,150	-	-	8,291	19,441
Restricted					
Educational program	357,018	-	-	-	357,018
Capital projects	-	28,576,506	-	4,924,409	33,500,915
Debt services	-	-	4,126,304	-	4,126,304
Total restricted	357,018	28,576,506	4,126,304	4,924,409	37,984,237
Committed					
Deferred maintenance program	-	-	-	201,460	201,460
OPEB	-	-	-	1,110,180	1,110,180
Total committed	-	-	-	1,311,640	1,311,640
Unassigned					
Reserve for economic uncertainties	4,812,108	-	-	-	4,812,108
Total	$ 5,180,276	$ 28,576,506	$ 4,126,304	$ 6,244,340	$ 44,127,426

Note 12 - Risk Management

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2020, the District participated in the South Bay Area Schools' Insurance Authority (SBASIA) for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years.

Workers' Compensation

For fiscal year 2020, the District participated in the Santa Clara County Schools' Insurance Group (SCCSIG) and South Bay Area Schools' Insurance Authority (SBASIA), insurance purchasing pools. The intent of the SCCSIG and SBASIA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the SCCSIG and SBASIA. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the SCCSIG. Each participant pays its workers' compensation premium based on its individual rate. Total savings for both agencies are then calculated and each participant's individual performance is compared to the overall savings. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the agencies. Participation in the agencies is limited to districts that can meet their selection criteria.

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

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

Note 13 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2020, the District reported net pension liabilities (also known as pension UAL, Unfunded Accrued Liability), deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 40,529,826	$ 11,205,361	$ 3,210,350	$ 5,004,350
CalPERS	14,155,168	3,259,963	556,218	2,125,460
Total	$ 54,684,994	$ 14,465,324	$ 3,766,568	$ 7,129,810

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

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

The STRP provisions and benefits in effect at June 30, 2020, are summarized as follows:

	STRP Defined Benefit Program	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	10.205%
Required employer contribution rate	17.10%	17.10%
Required state contribution rate	10.328%	10.328%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the District's total contributions were $4,141,964.

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

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share	
Proportionate share of net pension liability	$ 40,529,826
State’s proportionate share of the net pension liability	22,111,726
Total	$ 62,641,552

The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively was 0.0449 percent and 0.0432 percent, resulting in a net increase in the proportionate share of 0.0017 percent.

For the year ended June 30, 2020, the District recognized pension expense of $5,004,350. In addition, the District recognized pension expense and revenue of $3,292,913 for support provided by the State. At June 30, 2020, 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	$ 4,141,964	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,834,944	507,046
Differences between projected and actual earnings on pension plan investments	-	1,561,221
Differences between expected and actual experience in the measurement of the total pension liability	102,316	1,142,083
Changes of assumptions	5,126,137	-
Total	$ 11,205,361	$ 3,210,350

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ (157,476)
2022	(1,239,426)
2023	(257,323)
2024	93,004
Total	$ (1,561,221)

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 1,195,228
2022	1,026,213
2023	1,448,835
2024	1,526,170
2025	136,296
Thereafter	81,526
Total	$ 5,414,268

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions.

Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2018, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.8%
Fixed income	12%	1.3%
Real estate	13%	3.6%
Private equity	13%	6.3%
Risk mitigating strategies	9%	1.8%
Inflation sensitive	4%	-3.3%
Cash/liquidity	2%	-0.4%

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 60,352,266
Current discount rate (7.10%)	40,529,826
1% increase (8.10%)	24,093,249

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan(s) regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2020, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	19.721%	19.721%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the total District contributions were $1,306,573.

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

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $14,155,168. The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively was 0.0486 percent and 0.0471 percent, resulting in a net decrease in the proportionate share of 0.0015 percent.

For the year ended June 30, 2020, the District recognized pension expense of $2,125,460. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,306,573	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	251,327	424,927
Differences between projected and actual earnings on pension plan investments	-	131,291
Differences between expected and actual experience in the measurement of the total pension liability	1,028,233	-
Changes of assumptions	673,830	-
Total	$ 3,259,963	$ 556,218

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 129,600
2022	(258,870)
2023	(39,228)
2024	37,207
Total	$ (131,291)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	$ 894,665
2022	362,343
2023	246,777
2024	24,678
Total	$ 1,528,463

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

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

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	-0.92%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 20,403,743
Current discount rate (7.15%)	14,155,168
1% increase (8.15%)	8,971,542

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $3,292,913 (10.328 percent of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements. On behalf payments have been included in the calculation of available reserves.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated an additional 2019–2020 contribution on-behalf of school employers of $1.1 billion for CalSTRS. A proportionate share of these contributions have been recorded in these financial statements. On behalf payments related to these additional contributions have been included from the calculation of available reserves.

Social Security

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

Note 14 - Commitments and Contingencies

Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2020.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2020.

Construction Commitments

As of June 30, 2020, the District had approximately $2.03 million commitments with respect to the unfinished capital projects.

Note 15 - Participation in Public Entity Risk Pools and Joint Power Authorities

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

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

During the year ended June 30, 2020, the District made the following payments:

South Bay Area Schools' Insurance Authority	$ 325,826
Santa Clara County Schools' Insurance Group	439,912
Total	$ 765,738

Required Supplementary Information
June 30, 2020

Los Gatos-Saratoga Joint Union High School District

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
Revenues				
Local Control Funding Formula	$ 51,755,814	$ 51,517,109	$ 51,578,256	$ 61,147
Federal sources	724,598	708,745	719,937	11,192
Other State sources	3,628,740	4,625,010	4,525,109	(99,901)
Other local sources	5,057,961	4,998,892	5,226,011	227,119
Total revenues [1]	61,167,113	61,849,756	62,049,313	199,557
Expenditures				
Current				
Certificated salaries	24,429,323	24,330,650	24,205,035	125,615
Classified salaries	8,077,321	7,653,083	7,701,176	(48,093)
Employee benefits	15,595,047	16,190,978	16,098,878	92,100
Books and supplies	1,996,063	2,000,407	1,462,696	537,711
Services and operating expenditures	8,454,996	8,568,456	8,219,310	349,146
Other outgo	182,359	109,296	106,420	2,876
Capital outlay	28,030	666,074	606,850	59,224
Debt service				
Debt service - principal	-	48,097	48,096	1
Debt service - interest and other	-	8,997	10,540	(1,543)
Total expenditures [1]	58,763,139	59,576,038	58,459,001	1,117,037
Excess (Deficiency) of Revenues Over Expenditures	2,403,974	2,273,718	3,590,312	1,316,594
Other Financing Sources (Uses)				
Other sources	-	18,705	25,233	6,528
Transfers out	(2,382,898)	(2,470,459)	(2,456,283)	14,176
Net financing sources (uses)	(2,382,898)	(2,451,754)	(2,431,050)	20,704
Net Change in Fund Balances	21,076	(178,036)	1,159,262	1,337,298
Fund Balance - Beginning	4,021,014	4,021,014	4,021,014	-
Fund Balance - Ending	$ 4,042,090	$ 3,842,978	$ 5,180,276	$ 1,337,298

	2020	2019	2018
Total OPEB Liability			
Service cost	$ 544,039	$ 505,736	$ 492,200
Interest	194,836	170,352	163,912
Difference between expected and actual experience	755,456	-	-
Changes of assumptions	332,269	119,977	-
Benefit payments	(113,154)	(118,196)	(113,650)
Net change in total OPEB liability	1,713,446	677,869	542,462
Total OPEB Liability - Beginning	5,351,307	4,673,438	4,130,976
Total OPEB Liability - Ending	$ 7,064,753	$ 5,351,307	$ 4,673,438
Covered Payroll	32,365,617	32,713,367	31,113,964
Total OPEB Liability as a Percentage of Covered Payroll	21.83%	16.36%	15.02%
Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018

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

Year ended June 30,	2020	2019	2018
Proportion of the net OPEB liability	0.0794%	0.0000%	0.0000%
Proportionate share of the net OPEB liability	$ 295,630	$ -	$ -
Covered payroll	N/A[1]	N/A[1]	N/A[1]
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A[1]	N/A[1]	N/A[1]
Plan fiduciary net position as a percentage of the total OPEB liability	-0.81%	-0.40%	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

[1] As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

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

	2020	2019	2018	2017	2016	2015
CalSTRS						
Proportion of the net pension liability	0.0449%	0.0432%	0.0427%	0.0419%	0.0434%	0.0440%
Proportionate share of the net pension liability	$ 40,529,826	$ 39,723,824	$ 39,473,161	$ 33,909,258	$ 29,219,390	$ 25,705,965
State's proportionate share of the net pension liability	22,111,726	22,743,747	23,351,989	19,303,936	15,453,836	15,522,372
Total	$ 62,641,552	$ 62,467,571	$ 62,825,150	$ 53,213,194	$ 44,673,226	$ 41,228,337
Covered payroll	$ 24,364,853	$ 23,224,844	$ 22,476,820	$ 21,398,807	$ 20,681,441	19,338,506
Proportionate share of the net pension liability as a percentage of its covered payroll	166.35%	171.04%	175.62%	158.46%	141.28%	133%
Plan fiduciary net position as a percentage of the total pension liability	73%	71%	69%	70%	74%	77%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS						
Proportion of the net pension liability	0.0486%	0.0471%	0.0505%	0.0530%	0.0562%	0.0570%
Proportionate share of the net pension liability	$ 14,155,168	$ 12,547,875	$ 12,066,953	$ 10,460,780	$ 8,282,421	$ 6,473,959
Covered payroll	$ 6,727,295	$ 6,206,097	$ 6,411,542	$ 6,382,991	$ 6,221,179	5,935,341
Proportionate share of the net pension liability as a percentage of its covered payroll	210.41%	202.19%	188.21%	163.89%	133.13%	109%
Plan fiduciary net position as a percentage of the total pension liability	70%	71%	72%	74%	79%	83%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

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

	2020	2019	2018	2017	2016	2015
CalSTRS						
Contractually required contribution	$ 4,141,964	$ 3,966,598	$ 3,351,345	$ 2,827,584	$ 2,296,092	$ 1,836,512
Less contributions in relation to the contractually required contribution	4,141,964	3,966,598	3,351,345	2,827,584	2,296,092	1,836,512
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 24,222,012	$ 24,364,853	$ 23,224,844	$ 22,476,820	$ 21,398,807	$ 20,681,441
Contributions as a percentage of covered payroll	17.10%	16.28%	14.43%	12.58%	10.73%	8.88%
CalPERS						
Contractually required contribution	$ 1,306,573	$ 1,215,084	$ 963,869	$ 890,435	$ 756,193	$ 732,295
Less contributions in relation to the contractually required contribution	1,306,573	1,215,084	963,869	890,435	756,193	732,295
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 6,625,288	$ 6,727,295	$ 6,206,097	$ 6,411,542	$ 6,382,991	$ 6,221,179
Contributions as a percentage of covered payroll	19.721%	18.0620%	15.5310%	13.8880%	11.8470%	11.7710%

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

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule(s)

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

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

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

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

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances. In the future, as data becomes available, ten years of information will be presented.

- *Change in Benefit Terms* – There were no changes in benefit terms since the previous valuations.
- *Change of Assumptions* – The investment rate of return assumption was changed from 3.50 percent to 2.20 percent since the previous valuation.

Schedule of the District’s Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District’s proportionate share of the net OPEB Liability – MPP Program and the plans’ fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- Changes in Benefit Terms – There were no changes in the benefit terms since the previous valuation.
- Changes of Assumptions – The plan rate of investment return assumption was changed from 3.58 87 percent to 3.50 percent since the previous valuation.

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

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

- *Changes in Benefit Terms* – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* – There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions for Pension

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

Supplementary Information
June 30, 2020

Los Gatos-Saratoga Joint Union High School District

Organization

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

Governing Board

Member	Office	Term Expires
David Guidry	President	2022
Peter L. Hertan	Vice President	2022
Katherine Tseng	Clerk	2024
Theresa Bond	Trustee	2024
Cynthia Chang	Trustee	2022

Administration

Name	Title
Michael Grove, Ed.D.	Superintendent/ Board Secretary
Delores Perley	Chief Business Officer

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Ninth through twelfth	3,413.23	3,413.23
Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	8.48	8.48
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Ninth through twelfth	0.74	0.74
Total ADA	3,422.45	3,422.45

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grades 9 - 12	64,800				
Grade 9		65,350	180	N/A	Complied
Grade 10		65,350	180	N/A	Complied
Grade 11		65,350	180	N/A	Complied
Grade 12		65,350	180	N/A	Complied

Note: The District is a basic aid district and is not subject to the instructional time requirements.

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

	General Fund	Special Reserve Other Fund
Fund Balance		
Balance, June 30, 2020, Unaudited Actuals	$ 1,916,987	$ 3,263,289
Special Reserves Other Fund is consolidated into the General Fund	3,263,289	(3,263,289)
Balance, June 30, 2020, Audited Financial Statements	$ 5,180,276	$ -

	(Budget) 2021 [1]	2020	2019	2018
General Fund				
Revenues	$ 61,566,908	$ 62,049,313	$ 62,241,863	$ 56,758,102
Other sources	-	25,233	369,850	-
Total Revenues and Other Sources	61,566,908	62,074,546	62,611,713	56,758,102
Expenditures	57,748,471	58,459,001	60,421,327	53,818,398
Other uses and transfers out	2,440,307	2,456,283	2,431,031	2,432,085
Total Expenditures and Other Uses	60,188,778	60,915,284	62,852,358	56,250,483
Increase/(Decrease) in Fund Balance	1,378,130	1,159,262	(240,645)	507,619
Ending Fund Balance	$ 6,558,406	$ 5,180,276	$ 4,021,014	$ 4,261,659
Available Reserves [2]	$ 2,938,099	$ 4,812,108	$ 3,328,842	$ 3,233,514
Available Reserves as a Percentage of Total Outgo	4.88%	7.90%	5.30%	5.75%
Long-Term Liabilities	$ 156,682,557	$ 160,475,840	$ 160,453,725	$ 175,159,056
K-12 Average Daily Attendance at P-2	3,338	3,422	3,386	3,277

The General Fund balance has increased by $918,617 over the past two years. The fiscal year 2020-2021 budget projects an increase of $1,378,130 (26.6%). For a district this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo). The District's reserves exceed this standard.

The District has gained operating surpluses in two of the past three years and anticipates having an operating surplus during the 2020-2021 fiscal year. Total long-term obligations have decreased by approx. $14.7 million over the past two years.

Average daily attendance has increased by 145 ADA over the past two years. A decline of 84 ADA is anticipated during fiscal year 2020-2021.

[1] Budget 2021 is included for analytical purposes only and has not been subjected to audit.
[2] Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the
General Fund and the Special Reserve Fund for Other than Capital Outlay.

	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund for Postemployment Benefits	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
Assets						
Deposits and investments	$ 1,328	$ 200,636	$ 1,105,644	$ 308,938	$ 2,558,206	$ 4,174,752
Receivables	29,966	824	4,536	22,929	14,406	72,661
Due from other funds	48,248	-	-	-	2,035,534	2,083,782
Stores inventories	8,291	-	-	-	-	8,291
Total assets	$ 87,833	$ 201,460	$ 1,110,180	$ 331,867	$ 4,608,146	$ 6,339,486
Liabilities and Fund Balances						
Liabilities						
Accounts payable	$ 190	$ -	$ -	$ -	$ 15,604	$ 15,794
Unearned revenue	79,352	-	-	-	-	79,352
Total liabilities	79,542	-	-	-	15,604	95,146
Fund Balances						
Nonspendable	8,291	-	-	-	-	8,291
Restricted	-	-	-	331,867	4,592,542	4,924,409
Committed	-	201,460	1,110,180	-	-	1,311,640
Total fund balances	8,291	201,460	1,110,180	331,867	4,592,542	6,244,340
Total liabilities and fund balances	$ 87,833	$ 201,460	$ 1,110,180	$ 331,867	$ 4,608,146	$ 6,339,486

	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund for Postemployment Benefits	Capital Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
Revenues						
Other local sources	$ 679,456	$ 1,877	$ 18,399	$ 196,277	$ 258,374	$ 1,154,383
Expenditures						
Current						
Pupil services						
Food services	928,724	-	-	-	-	928,724
Administration						
Plant services	-	100,954	-	35,339	23,344	159,637
Facility acquisition and construction	-	14,988	-	-	117,640	132,628
Debt service						
Principal	-	-	-	392,242	602,666	994,908
Interest and other	-	-	-	33,492	60,519	94,011
Total expenditures	928,724	115,942	-	461,073	804,169	2,309,908
Excess (Deficiency) of Revenues Over Expenditures	(249,268)	(114,065)	18,399	(264,796)	(545,795)	(1,155,525)
Other Financing Sources (Uses)						
Transfers in	246,418	200,000	-	-	2,009,865	2,456,283
Net Change in Fund Balances	(2,850)	85,935	18,399	(264,796)	1,464,070	1,300,758
Fund Balance - Beginning	11,141	115,525	1,091,781	596,663	3,128,472	4,943,582
Fund Balance - Ending	$ 8,291	$ 201,460	$ 1,110,180	$ 331,867	$ 4,592,542	$ 6,244,340

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-1987 requirement, as required by Education Code Section 46201.

Due to school closures caused by COVID-19, the District filed the COVID-19 School Closure Certification certifying that schools were closed for 50 days due to the pandemic. As a result, the District received credit for these 50 days in meeting the annual instructional days requirement. In addition, planned minutes covered by the COVID-19 School Certification were included in the Actual Minutes column but were not actually offered due to the COVID-19 school closure.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Los Gatos-Saratoga Joint Union High School District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 24, 2021.

Internal Control Over Financial Reporting

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

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

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

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

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

Eide Bailly LLP

Menlo Park, California
March 24, 2021

Independent Auditor's Report on State Compliance

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

Report on State Compliance

We have audited Los Gatos-Saratoga Joint Union High School District's (the District) compliance with the types of compliance requirements described in the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for' the year ended June 30, 2020.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified in the table below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance 'with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the District's 'compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Compliance Requirements Tested

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No, see below
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	Yes
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	No, see below
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	Yes
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	No, see below
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Non-Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non-Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

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

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

Continuation Education
The District does not offer continuation education Program; therefore, we did not perform procedures related to continuation education.

Early Retirement Incentive
The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

Juvenile Court Schools
The District does not have any Juvenile Court Schools; therefore, we did not perform procedures related to Juvenile Court Schools.

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

Transportation Maintenance of Effort
The District does not offer transportation program; therefore, we did not perform procedures related to the program.

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

District of Choice
We did not perform District of Choice procedures because the program is not offered by the District.

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

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

Charter Schools
The District does not operate any Charter Schools; therefore, we did not perform procedures for Charter School Programs.

Unmodified Opinion

In our opinion, Los Gatos-Saratoga Joint Union High School District complied with the laws and regulations of the state programs referred to above for the year ended June 30, 2020.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Menlo Park, California
March 24, 2021

Section I – Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

STATE COMPLIANCE

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

Section II – Financial Statement Findings

None reported.

Section III – State Awards Findings and Questioned Costs

None reported.

State Compliance Findings

2019-001 Code: 40000 Unduplicated Local Control Funding Formula Pupil Counts

Criteria or Specific Requirements

In accordance with Education Code sections 2574(b)(3)(C) and 42238.02(b)(3)(B), the Controller shall include instructions in the audit guide required by subdivision (a) of Section 14502.1, for determining if the data reported by a county superintendent of schools using the California Longitudinal Pupil Achievement Data System (CalPADS) is consistent with pupil data records maintained by the county office of education. The instructions shall include procedures for determining if the English learner, foster youth, and free or reduced-price meal eligible pupil counts are consistent with the school district's or charter school's English learner, foster youth, and free or reduced-price meal eligible pupil records.

Condition

During our testing for students that are identified as only ELAS, we selected 45 samples and noted that 3 identified as ELAS, in fact, are not ELAS students. After the finding, a 100 percent ELAS students' status was examined, resulting 4 ELAS students' status were removed and 3 homeless students' status were added.

Questioned Costs

There is no question cost resulted from this finding.
The reclassification of 4 students' status from ELAS to regular students and 3 regular students to homeless status, results in 0.01% decrease of “Unduplicated Pupil Percentage” from 4.41% to 4.40% and a $630 decrease in “Transition Entitlement”. However, the District is a community funded “basic aid” school district, therefore, received only minimum state aid guarantee.

Context

The above condition pertains to the testing of 2018-2019 ELAS students only.

Effect

Incorrect reporting can resulted in calculation error in LCFF funding. The finding disclosed that the status of 4 students was reclassified from ELAS to regular students. This results in the District's 2018-2019 unduplicated pupil count shown in CalPADS decrease to 172 from previous 173.

Cause

Four pupils whose status were identified as English Learner changed their status before the census date in Aeries system, but Aeries Error Report did not catch the change in status.

Repeat Finding: No

Recommendation

Periodic review and reconciliation of the District's data and CALPADS data should be performed to ensure the integrity of data.

Current status: Implemented