

**OAK GROVE SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2018**

*This page left blank intentionally.*

# OAK GROVE SCHOOL DISTRICT

## TABLE OF CONTENTS

JUNE 30, 2018

---

### **FINANCIAL SECTION**

Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements	
Governmental Funds - Balance Sheet	20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	22
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balance	23
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	25
Proprietary Funds - Statement of Fund Net Position	27
Proprietary Funds - Statement of Revenues, Expenses, and Changes in Fund Net Position	28
Proprietary Funds - Statement of Cash Flows	29
Fiduciary Fund - Statement of Assets and Liabilities	30
Notes to Financial Statements	31

### **REQUIRED SUPPLEMENTARY INFORMATION**

General Fund - Budgetary Comparison Schedule	64
Cafeteria Fund - Budgetary Comparison Schedule	65
Schedule of Changes in the District's Total OPEB Liability and Related Ratios	66
Schedule of the District's Proportionate Share of the Net Pension Liability	67
Schedule of District's Pension Contributions	69
Note to Required Supplementary Information	71

### **SUPPLEMENTARY INFORMATION**

Schedule of Expenditures of Federal Awards	74
Local Education Agency Organization Structure	75
Schedule of Average Daily Attendance	76
Schedule of Instructional Time	77
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	78
Schedule of Financial Trends and Analysis	79
Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet	80
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	81
Note to Supplementary Information	82

### **INDEPENDENT AUDITOR'S REPORTS**

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	85
Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	87
Report on State Compliance	89

# OAK GROVE SCHOOL DISTRICT

## TABLE OF CONTENTS

JUNE 30, 2018

---

### *SCHEDULE OF FINDINGS AND QUESTIONED COSTS*

Summary of Auditor's Results	93
Financial Statement Findings	94
Federal Awards Findings and Questioned Costs	95
State Awards Findings and Questioned Costs	96
Summary Schedule of Prior Audit Findings	97

---

---

***FINANCIAL SECTION***

---

---

*This page left blank intentionally.*



**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

VALUE THE *difference*

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Oak Grove School District  
San Jose, California

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

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 *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***Opinions***

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

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

As discussed in Note 1 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, schedule of changes in the District's total OPEB liability and related ratios, schedule of the District's OPEB contributions, schedule of the District's proportionate share of the net pension liability, and the schedule of the District's pension contributions, 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 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***

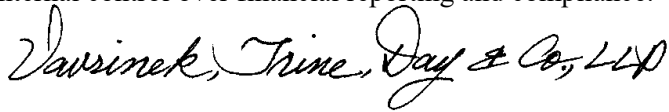
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Oak Grove School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* 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 Schedule of Expenditures of Federal Awards and the other supplementary information as listed in the table of contents are the responsibility of management and were 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 Schedule of Expenditures of Federal Awards and the other 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 November 5, 2018, on our consideration of the Oak Grove 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 Oak Grove 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 Oak Grove School District's internal control over financial reporting and compliance.



Palo Alto, California  
November 5, 2018

*This page left blank intentionally.*



6578 Santa Teresa Boulevard, San Jose, CA 95119, Phone: (408) 227-8300, Fax: (408) 629-7183

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Oak Grove School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### ***DISTRICT PROFILE***

The District is located in the southern part of San Jose, California. The District serves over 10,000 students at its sixteen elementary (K-6) and three intermediate (7-8) schools.

### ***OVERVIEW OF THE FINANCIAL STATEMENTS***

#### ***The Financial Statements***

The financial statements presented herein include all of the activities of the District and component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the District (including capital assets) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statements in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for each of the three categories of activities: governmental, proprietary, and fiduciary.

The *Governmental Funds* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The *Proprietary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *Fiduciary Funds* are prepared using the economic resources measurement focus and the accrual basis of accounting.

*Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements* is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Oak Grove School District.

# OAK GROVE SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

---

### REPORTING THE DISTRICT AS A WHOLE

#### The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's *operating results*. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we separate the District activities as follows:

**Governmental Activities** - Most of the District's services are reported in this category. This includes the education of kindergarten through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

**Business-Type Activities** - The District charges fees to help it cover the costs of certain services it provides. This child care program is included here.

### REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

#### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

# OAK GROVE SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

---

**Governmental Funds** - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

**Proprietary Funds** - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Fund Net Position*. In fact, the District's enterprise funds are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities, such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

### THE DISTRICT AS A TRUSTEE

#### Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, like our funds for associated student body activities, scholarships, employee retiree benefits, and pensions. The District's fiduciary activities are reported in the *Statements of Fiduciary Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### FINANCIAL HIGHLIGHTS

#### 2017-2018 Operations:

- Local Control Funding Formula (LCFF) entitlement, based on student enrollment, accounts for 81% of the District's General Fund revenues. In year five of LCFF implementation, LCFF phase-in entitlement for 2017-2018 is approximately 97.39% of the entitlement target. LCFF Entitlement per average daily attendance is \$8,599.
- Supplemental Grant is per Unduplicated Count of 52.93% of total district enrollment, average rate for fiscal years 2015-16 through 2017-18. Supplemental services must be provided at a rate of \$755 per ADA, leaving \$7,844 per ADA available for general purpose instruction and operations.
- The District's deficit net position at June 30, 2018 is (\$54.70) million, reflecting a decrease of \$10.75 million from June 30, 2017.

# OAK GROVE SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

---

- Total enrollment continued to decrease from 10,632 in 2017 to 10,362 in 2018, a reduction of 57 students. However, LCFF funding calculation for 2017-2018 is based on the higher enrollment and attendance of 2016-2017.
- Other state revenues of \$9,431,162 included \$1,475,029 in one-time Mandated Cost Reimbursement funds as State is the process of paying off related liability and transferring the program from actual cost to a blanket rate-based disbursement process.
- In compliance with GASB Statement No. 68, *Accounting and Financial Reporting for Pension*, the District also recognized \$4,053,218 as State revenues and expenditures (STRS On-Behalf), with net zero effect on fund balance.
- The total cost of health benefits paid for eligible retirees was \$0.5 million.
- The District was awarded with local grants as in the prior year, Sobrato Family Foundation Grant and Cotsen Grant, for a combined total of \$484 thousand for the teacher mentoring and family engagement program. Additionally, the District continued to receive \$250 thousand from Applied Materials Foundation in order to collaborate with Partners in School Innovations with the mission to transform teaching and learning at Edenvale and Christopher schools. The District also received \$243 thousand for Career Tech Grant, which allowed District's three intermediate schools to implement two hands-on semester elective courses that empower students to lead their own discovery, build knowledge and skill, problem solve, and develop critical thinking.
- The Bay Area Air Quality Management District also awarded Oak Grove School District a total grant of \$260, thousand to replace two new and clean school buses.
- Required transfer-in from Special Reserve Fund is lower than at Estimated Actuals, and was reduced by \$2,273,297. The combined general fund operations has a positive variance as a result of unexpended program funds and from budgeted services not performed by year end.
- In response to projected enrollment decline, the Board commenced a School Consolidation Committee in 2017-18 to identify schools for closure. March 1, 2018, the Board approved closure of Glider Elementary and Miner Elementary Schools, and new attendance boundaries for the District, commencing 2018-19. In addition, the Two Way Bilingual Immersion (TWBI) program is relocated permanently to Del Roble School. TWBI was established in 2015-16 and is intended to provide Spanish immersion education for grades TK-8.

### **Available Reserves:**

Available reserves is a measure of the district's unrestricted net current assets, exclusive of capital assets and long-term debt. The State requires a 3% reserve level for a district our size. The District reserves are at the required 3% for 2017-2018.

The Oak Grove School District is continuing to be proactive in its financial planning. Examples of this include the ongoing leasing of closed facilities, which increases operating revenues; reducing budgets whenever possible; and judiciously using one-time funding to cover revenue shortfalls when necessary. Continued solvency is crucial to the District's mission which is to provide a high quality education to the students of the Oak Grove School District.

# OAK GROVE SCHOOL DISTRICT

## MANAGEMENT’S DISCUSSION AND ANALYSIS JUNE 30, 2018

### Construction Projects:

The District expended approximately \$29 million on facilities modernization and construction projects during the year. Funding for this activity comes from local general obligation bond (GO) proceeds. The GO Bond debt service amount is funded primarily from property taxes authorized by the General Obligation Bond Issue. The District’s outstanding debt on the GO Bonds is approximately \$199 million.

### GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

#### *Net Position*

The District’s governmental activities’ net position was (\$54.70) million for the fiscal year ended June 30, 2018. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the District’s ability to use the net position for day-to-day operations. The analysis below focuses on the District’s net position (Table 1) and change in net position (Table 2) of the District’s governmental activities.

**Table 1 – Comparison of Net Position – Governmental Activities**

(Amounts in millions)	Statement of Net Position		Change Amount	Percentage of Change
	2017-18	2016-17 as Restated		
<b>ASSETS</b>				
Current and other assets	\$ 56.62	\$ 92.07	\$ (35.45)	-39%
Capital assets	229.87	207.66	22.21	11%
Total Assets	286.49	299.73	(13.24)	-4%
DEFERRED OUTFLOWS OF RESOURCES	41.26	28.47	12.79	45%
<b>LIABILITIES</b>				
Current liabilities	18.06	18.27	(0.21)	-1%
Long-term liabilities	357.36	352.00	5.36	2%
Total Liabilities	375.42	370.27	5.15	1%
DEFERRED INFLOWS OF RESOURCES	8.23	3.06	5.17	169%
<b>NET POSITION</b>				
Net investment in capital assets	19.57	14.47	5.10	35%
Restricted	36.75	17.87	18.88	106%
Unrestricted	(112.22)	(77.49)	(34.73)	45%
Total Net Position	\$ (55.90)	\$ (45.15)	\$ (10.75)	24%

# OAK GROVE SCHOOL DISTRICT

## MANAGEMENT’S DISCUSSION AND ANALYSIS JUNE 30, 2018

The results of this year’s operations for the District as a whole are reported in the *Statement of Activities*. The statement includes all District funds. In Table 2 we take the information from that Statement, round off the numbers, and rearrange them slightly to show total revenues for the year. A comparative analysis of government-wide data is presented in Table 2.

The major differences between 2016-17 and 2017-18 are in the instructional and related categories. These expenses increased \$11.99 million due to mainly collective bargaining settlements and added instructional and related instructional positions.

**Table 2 – Comparison of Governmental Activities**

(Amounts in millions)	Statement of Activities		Change Amount	Percentage of Change
	2017-18	2016-17		
<b>REVENUES</b>				
Program revenues:				
Charges for services and sales	\$ 1.04	\$ 1.01	\$ 0.03	3%
Operating grants and contributions	9.85	13.63	(3.78)	-28%
General revenues	123.48	121.13	2.35	2%
Total Revenues	<u>134.37</u>	<u>135.77</u>	<u>(1.40)</u>	-1%
<b>EXPENSES</b>				
Instruction and related instruction	94.93	88.92	6.01	7%
Pupil services	15.96	14.46	1.50	10%
Administration	8.75	10.10	(1.35)	-13%
Plant services	10.09	9.46	0.63	7%
Other	15.37	15.59	(0.22)	-1%
Total Expenses	<u>145.10</u>	<u>138.53</u>	<u>6.57</u>	5%
Excess (deficit)	<u>\$ (10.73)</u>	<u>\$ (2.76)</u>	<u>\$ (7.97)</u>	289%

### *Governmental Activities*

As reported in the Statement of Activities, the cost of all governmental activities and business type activities this year was \$146.8 million. General revenues, including property taxes, state aid and other sources funded the balance.

In Table 3, we present the cost of each of the District’s major functions in the General fund. The function describes the activity or services performed in order to accomplish the District’s goal. The net difference between 2017-18 and 2016-17 is 8%. Approximately 62% of the District’s General fund resources are spent on direct instruction.



# OAK GROVE SCHOOL DISTRICT

## MANAGEMENT’S DISCUSSION AND ANALYSIS JUNE 30, 2018

In Table 3, we have presented 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.

**Table 3 – Comparison of Total Cost of Services – General Fund**

(Amounts in millions)	<b>Total Cost of Services</b>		<b>Change Amount</b>	<b>Percentage of Change</b>
	<b>2017-18</b>	<b>2016-17</b>		
Instruction	\$ 73.82	\$ 70.93	\$ 2.89	4%
Other related instruction	5.54	5.61	(0.07)	-1%
School site administration	6.58	6.41	0.17	3%
Student support services	6.29	5.60	0.69	12%
Home-to-school transportation	3.91	3.89	0.02	1%
Administration	7.60	7.39	0.21	3%
Plant services	9.12	8.83	0.29	3%
All other services	6.76	6.53	0.23	4%
Total	<u>\$ 119.62</u>	<u>\$ 115.19</u>	<u>\$ 4.43</u>	4%

In Table 4, we categorize the expenditures by object codes. Because the District is a service-oriented entity, most of the expenditures (81%) are for employee salaries and benefits.

**Table 4 – Comparison of Expenditures by Object Code – General Fund**

(Amounts in millions)	<b>Expenditures by Object Code</b>		<b>Change Amount</b>	<b>Percentage of Change</b>
	<b>2017-18</b>	<b>2016-17</b>		
Certificated salaries	\$ 51.23	\$ 50.60	\$ 0.63	1%
Classified salaries	16.40	16.23	0.17	1%
Employee benefits	28.96	26.46	2.50	9%
Books and supplies	2.16	2.02	0.14	7%
Services and operating expenses	13.89	13.31	0.58	4%
Other	7.00	6.57	0.43	7%
Total	<u>\$ 119.64</u>	<u>\$ 115.19</u>	<u>\$ 4.45</u>	4%

# OAK GROVE SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

---

### *FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS*

At the end of the District's fiscal year, the general fund balance was \$8.80 million. Of the \$8.80 million, \$0.04 million was non-spendable and \$4.65 million was restricted. The fund balance decreased by \$0.98 million from the prior year amount of \$9.77 million. The decrease was due to a combination of decrease in one-time discretionary funds, increased rates in STRS and PERS, and collective bargaining settlement, as described below.

#### General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it addresses changes in revenues and expenditures. Generally, these changes are due to the timing of the adoption of the State's budget which is sometimes several months after the District is required to adopt their budget. Listed below are some of the changes:

#### *Revenue:*

- LCFF Entitlement per average daily attendance is \$8,599. Supplemental services must be provided at a rate of \$755 per ADA, and net unrestricted LCFF funding is \$7,844 per ADA.
- Total enrollment continued to decrease from 10,632 in 2017 to 10,305 in 2018, a reduction of 57 students. However, LCFF funding calculation for 2017-18 is based on the higher of enrollment and attendance of 2016-17.
- One-time discretionary fund allocation of \$147 per ADA. Total allocation for OGSD is budgeted at \$1.5 million.

#### *Expenditures:*

- 2017-18 collective bargaining with all units was settled in 2016-17 as multiple year salary agreement, with a range of 2.36% to 2.5% salary increase in fiscal year 2017-18.
- STRS and PERS rates increased from 12.58% and 13.89% to 14.43% and 15.53%, accordingly.

### *CAPITAL ASSET AND DEBT ADMINISTRATION*

#### Capital Assets

As of June 30, 2018, the District had \$229.88 million in a broad range of capital assets, including land, buildings, furniture and equipment. The \$55.13 million increase in capital assets is due to additions of building improvements funded from proceed of general obligation bonds.

# OAK GROVE SCHOOL DISTRICT

## MANAGEMENT’S DISCUSSION AND ANALYSIS JUNE 30, 2018

**Table 5 – Capital Assets (net of depreciation)**

(Amounts in millions)	<b>Governmental Activities</b>		<b>Change Amount</b>	<b>Percentage of Change</b>
	<b>2017-18</b>	<b>2016-17</b>		
Land	\$ 3.52	\$ 3.52	\$ -	0%
Construction in progress	1.16	5.21	(4.05)	-78%
Building and improvements	222.28	195.74	26.54	14%
Furniture and equipment	2.92	3.19	(0.27)	-8%
<b>TOTAL</b>	<b>\$ 229.88</b>	<b>\$ 207.66</b>	<b>\$ 22.22</b>	<b>11%</b>

### Capital Projects

In November 2008, the voters of the Oak Grove School District approved Measure S authorizing the issuance of \$125.0 million in general obligation bonds for the modernization of District school facilities. The last general obligation bonds issuance under Measure S was in 2016 for \$6.0 million. The District is not able to access the remaining unissued \$68.3 million of Measure S. In November 2014, voters authorized Measure P general obligation bonds for \$89.8 million to modernize facilities and for the purchases of classroom technology (\$6.0 million set aside).

Bond projects completed in 2017-18 cost \$27.5 million, including administrative expenses and legal fees, were:

- Roof and HVAC (heating and cooling system) replacements at Davis Intermediate and Sakamoto Elementary;
- Parking lot and streetscape modernization at Anderson Elementary, Sakamoto Elementary and Taylor Elementary;
- Siding replacement at Taylor Elementary;
- Kinder restroom renovation, replacement of two portable buildings, and new kinder play structure installation at Baldwin Elementary; and
- Exterior painting and fence replacements at various sites.

Measure P Bonds Series B, issued in 2016-2017, provides net total \$5.7 million for technology projects. This series of bonds mature five years from issuance date. During the school year 2017-18, we spent \$113 thousand to improve cabling and upgrading the Data Center at the district office in order to provide improved connectivity for schools. We also spent \$327 thousand to purchase new wireless access points for schools and to replace UPS units for all the schools main offices to ensure the phone services remains temporarily up and running in the front office in case of a power outage.

Facility modernization projects planned for 2018-19 include the completion of the Davis Intermediate covered walkway.

# OAK GROVE SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

### Long-Term Debt

The District has long-term obligations other than pensions and OPEB totaling \$226.2 million as of June 30, 2018. 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. Table 6 provides the breakdown of the long-term liabilities.

**Table 6 – Long Term Obligations**

(Amounts in millions)	Governmental Activities		Change Amount	Percentage of Change
	2017-18	2016-17		
General obligation bonds	\$ 212.73	\$ 221.10	\$ (8.37)	-4%
Capital lease obligations	12.60	13.00	(0.40)	-3%
Compensated absences	0.87	0.89	(0.02)	-2%
Net pension liability	118.31	104.33	13.98	13%
Net OPEB obligation	23.00	12.94	10.06	78%
<b>TOTAL</b>	<b>\$ 367.51</b>	<b>\$ 352.26</b>	<b>\$ 15.25</b>	<b>4%</b>

### ***FACTORS BEARING ON THE DISTRICT'S FUTURE***

Oak Grove School District is a state funded school district, which means that the District operates under general-purpose Local Control Funding Formula (LCFF) established by the State Legislature in 2013. In recent years, the upswing in the economy has meant an increase in funding. The District has made every effort to push that funding toward compensation and improving services for our students in classrooms. As the State restored funding to school districts, OGSD has restored many positions eliminated during the recession. In addition, the District gave total 17.5% in ongoing salary increases from 2014-15 through 2017-18 and total 3.5% in one-time salary increases. Salary and benefits are open for negotiations with all employee units in 2018-19.

The District will be 100% LCFF funded in 2018-19. As the gap between Phase-In Entitlement and Entitlement Target narrows, revenue dollar increases will be less each year. Upon full funding of LCFF, annual revenue dollar increases will be per Cost of Living Adjustment (COLA) rates. Additionally, the District is still required to set aside amounts to provide supplemental services for the students generating the Supplemental dollars.

The trend in enrollment decline is posing a significant challenge for the District. Since 2012, we have lost 1,212 students and projected to lose additional 627 students over the next three years. Per District demographer, enrollment decline occurs throughout Santa Clara County due to a combination of decrease in birth rates and families moving out to areas with lower cost of living. The projected cumulative loss in revenue over the next three years is \$8.3 million dollars.

The continued drop in student enrollment is becoming a challenge as we attempt to balance our budget in light of unchanged expenditures with reduced income. The District is making a major effort to maximize student attendance, as this is the primary revenue generator. We expanded the Attendance Recovery Program last year, generating a net revenue of \$93 thousand dollars. We will continue the implementation of this program throughout the District in 2018-19 to allow the District the opportunity to recover funding for absences occurring during the school year.

# OAK GROVE SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2018

---

### *ECONOMIC FACTORS AND BUDGET ASSUMPTIONS*

Based on the demographer's study, the District's enrollment for fiscal year 2018-19 is projected at 10,077, a decrease of 228 from 2017-18. The District has experienced a decline in enrollment since 2006-07 when enrollment was 11,899. This negative trend is projected to continue for several years per the demographer's report dated April 11, 2018.

The District's 2018-19 budget was based on the Governor's proposed May budget released on May 11, 2018. In recent past years, the state budget started with low revenue forecasts, then improves. This year, the May Revision revenue forecast is once again higher than the Governor's January revenue forecast due to increases in personal income and corporation taxes. Proposition 98 still governs the level of funding for K-12 education, and the large year over year increases since 2014-15 are slowing as we approach full implementation of LCFF. At full implementation of LCFF, K-12 funding increase will be per COLA.

Significant details of the Governor's proposed May budget for K-12 School Funding include:

- Full implementation of the LCFF in 2018-19, two years earlier than planned
- Cost of Living Adjustment (COLA) at 3%, changed from .49% January estimate, and low COLAs for the next few years.
- Proposition 30 expired on schedule, and Proposition 55, passed in November 2016 to extend the high-bracket income tax for an additional 12 years through 2030.
- Much lower growth in Proposition 98 beginning in 2018-19.
- The state budget still does not address the need for CalSTRS and CalPERS cost relief.

The District's continuing decline in enrollment has begun to exceed the increase in state funding, and the District must review programs and operations in order to continue to deliver the most effective instructional programs and still maintain a balanced budget.

Oak Grove School District's Budget contains the following key principles:

- Expenditure assumptions are developed in conjunction with the Local Control Accountability Plan (LCAP), with inputs from various stakeholder groups. Maximizing resources by leveraging different funding sources to achieve the District's LCAP goals.
- Hiring and retaining highly qualified staff in all functional areas.
- Minimizing impact of enrollment decline by reducing teaching positions through attrition.
- Providing choice of instructional programs to families, including parent participation school, independent study program, STEM, Visual and Performing Arts, and Spanish Two Way Bilingual Immersion.
- Provide enriched instruction through Music and Technology.
- Provide enhanced teaching through staff development.
- Maintain safe and environmentally healthy facilities.
- Maintain a fiscally healthy and balanced budget.

# OAK GROVE SCHOOL DISTRICT

## MANAGEMENT’S DISCUSSION AND ANALYSIS JUNE 30, 2018

---

The District budget and finances will continue to be a challenge in our efforts to balance employee compensations with program offerings for students, and to align financial resources to core instructional programs based on LCAP. The 2018-19 Budget reflects the Cost Containment Plan approved by the Board on April 27, 2017, with applicable adjustments such as final closure of two schools versus three schools per the Plan.

On March 1, 2018, the Board approved closure of Glider Elementary and Miner Elementary Schools, and new attendance boundaries for the District. In addition, the Two Way Bilingual Immersion (TWBI) program relocated permanently to Del Roble School. TWBI established in 2015-16 with the intent to provide Spanish immersion education for grades TK-8.

In addition to various cost containment measures implemented in years 2017-18 and 2018-19, the Board is reviewing next steps for a parcel tax election, one of the recommended revenue enhancement options. The ultimate goal of the District is to ensure that all students have access to high-quality curriculum and instruction by working together with the staff, parents, community members, and other partners.

### Net Pension Liability (NPL)

The District reported its proportionate share of the net pension liabilities, pension expense and deferred inflows of resources for each of the CalPERS and CalSTRS plans and deferred outflows of resources for each of the respective plans as follows:

<u>Pension Plan</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 84,356,637	\$ 23,162,975	\$ 5,693,812	\$ 8,198,286
CalPERS	33,958,279	10,328,233	645,171	6,200,992
Total	<u>\$ 118,314,916</u>	<u>\$ 33,491,208</u>	<u>\$ 6,338,983</u>	<u>\$ 14,399,278</u>

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

This financial report is designed to provide our citizens, taxpayers, customers, 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 questions about this report or need additional financial information, please contact either, Laura Phan, Assistant Superintendent/Chief Business Officer, or Melina Nguyen, Director of Business Services, Oak Grove School District, 6578 Santa Teresa Boulevard, San Jose, CA 95119.

# OAK GROVE SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2018

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Deposits and investments	\$ 54,682,939	\$ 1,280,781	\$ 55,963,720
Receivables	1,765,073	159,573	1,924,646
Internal balances	154,683	(154,683)	-
Stores inventories	19,966	-	19,966
Capital assets not depreciated	4,676,983	-	4,676,983
Depreciable capital assets, net of accumulated depreciation	225,195,246	-	225,195,246
Total Assets	<u>286,494,890</u>	<u>1,285,671</u>	<u>287,780,561</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	7,267,437	-	7,267,437
Deferred outflows of resources related to pensions	33,491,208	-	33,491,208
Deferred outflows of resources related to OPEB	498,614	-	498,614
Total Deferred Outflows of Resources	<u>41,257,259</u>	<u>-</u>	<u>41,257,259</u>
<b>LIABILITIES</b>			
Accounts payable	3,518,807	20,336	3,539,143
Interest payable	3,250,034	-	3,250,034
Unearned revenue	1,072,880	65,797	1,138,677
Claims liability	130,024	-	130,024
Long-term obligations:			
Current portion of long-term obligations	10,085,881	-	10,085,881
Noncurrent portion of long-term obligations	216,124,013	-	216,124,013
Total other postemployment benefit (OPEB) liability	22,924,721	-	22,924,721
Aggregate net pension liability	118,314,916	-	118,314,916
Total Liabilities	<u>375,421,276</u>	<u>86,133</u>	<u>375,507,409</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	6,338,983	-	6,338,983
Deferred inflows of resources related to OPEB	1,894,366	-	1,894,366
Total Deferred Inflows of Resources	<u>8,233,349</u>	<u>-</u>	<u>8,233,349</u>
<b>NET POSITION</b>			
Net investment in capital assets	19,568,331	-	19,568,331
Restricted for:			
Educational programs	4,650,596	-	4,650,596
Debt service	9,686,621	-	9,686,621
Capital projects	20,985,341	-	20,985,341
Insurance programs	1,421,950	-	1,421,950
Unrestricted	(112,215,315)	1,199,538	(111,015,777)
Total Net Position	<u>\$ (55,902,476)</u>	<u>\$ 1,199,538</u>	<u>\$ (54,702,938)</u>

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

**OAK GROVE SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b>Governmental Activities:</b>			
Instruction	\$ 81,427,886	\$ 2,490	\$ 3,981,596
Instruction-related activities:			
Supervision of instruction	5,728,445	510	1,142,381
Instructional library, media, and technology	428,550	3	40,496
School site administration	7,341,375	44	1,426
Pupil services:			
Home-to-school transportation	4,349,351	619	25,240
Food services	4,650,207	983,253	2,792,181
All other pupil services	6,961,317	201	1,146,603
Administration:			
Data processing	2,145,497	37	1,045
All other administration	6,607,419	51,648	398,056
Plant services	10,094,973	39	413
Ancillary services	143,663	1	24
Community services	16,046	33	940
County operated programs	5,731,953	-	-
Interest on long-term obligations	9,481,627	-	-
Other outgo	-	2,158	316,998
Total Governmental Activities	<u>145,108,309</u>	<u>1,041,036</u>	<u>9,847,399</u>
<b>Business-Type Activities</b>			
Child care services	1,713,512	1,658,408	-
Total Business-Type Activities	<u>\$ 146,821,821</u>	<u>\$ 2,699,444</u>	<u>\$ 9,847,399</u>

**General revenues and subventions:**

Property taxes, levied for general purposes  
Property taxes, levied for debt service  
Taxes levied for other specific purposes  
State aid not restricted to specific purposes  
Interest and investment earnings  
Miscellaneous  
Subtotal, General Revenues

**Change in Net Position**

Net Position - Beginning (Restated)  
Net Position - Ending

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



**Net (Expenses) Revenues and  
Changes in Net Position**

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (77,443,800)	\$ -	\$ (77,443,800)
(4,585,554)	-	(4,585,554)
(388,051)	-	(388,051)
(7,339,905)	-	(7,339,905)
(4,323,492)	-	(4,323,492)
(874,773)	-	(874,773)
(5,814,513)	-	(5,814,513)
(2,144,415)	-	(2,144,415)
(6,157,715)	-	(6,157,715)
(10,094,521)	-	(10,094,521)
(143,638)	-	(143,638)
(15,073)	-	(15,073)
(5,731,953)	-	(5,731,953)
(9,481,627)	-	(9,481,627)
319,156	-	319,156
(134,219,874)	-	(134,219,874)
-	(55,104)	(55,104)
(134,219,874)	(55,104)	(134,274,978)
41,748,959	-	41,748,959
13,948,733	-	13,948,733
2,615,520	-	2,615,520
53,955,424	-	53,955,424
577,385	-	577,385
10,634,515	15,818	10,650,333
123,480,536	15,818	123,496,354
(10,739,338)	(39,286)	(10,778,624)
(45,163,138)	1,238,824	(43,924,314)
\$ (55,902,476)	\$ 1,199,538	\$ (54,702,938)

**OAK GROVE SCHOOL DISTRICT**

**GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2018**

	<b>General Fund</b>	<b>Cafeteria Fund</b>	<b>Building Fund</b>
<b>ASSETS</b>			
Deposits and investments	\$ 5,171,207	\$ 633,636	\$ 8,686,755
Receivables	1,446,548	136,268	41,968
Due from other funds	5,805,709	193,772	-
Stores inventories	19,966	-	-
Total Assets	<u>\$ 12,443,430</u>	<u>\$ 963,676</u>	<u>\$ 8,728,723</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 2,448,269	\$ 99,991	\$ 970,547
Due to other funds	193,772	800,000	-
Unearned revenue	1,002,561	63,685	-
Total Liabilities	<u>3,644,602</u>	<u>963,676</u>	<u>970,547</u>
<b>Fund Balances:</b>			
Nonspendable	39,966	-	-
Restricted	4,650,596	-	5,417,883
Assigned	506,827	-	2,340,293
Unassigned	3,601,439	-	-
Total Fund Balances	<u>8,798,828</u>	<u>-</u>	<u>7,758,176</u>
Total Liabilities and Fund Balances	<u>\$ 12,443,430</u>	<u>\$ 963,676</u>	<u>\$ 8,728,723</u>

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

---

<b>Special Reserve Capital Outlay Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 25,316,002	\$ 12,904,519	\$ 443,321	\$ 53,155,440
75,902	31,441	1,837	1,733,964
800,000	-	-	6,799,481
-	-	-	19,966
<u>\$ 26,191,904</u>	<u>\$ 12,935,960</u>	<u>\$ 445,158</u>	<u>\$ 61,708,851</u>

\$ -	\$ -	\$ -	\$ 3,518,807
5,651,026	-	-	6,644,798
-	-	-	1,066,246
<u>5,651,026</u>	<u>-</u>	<u>-</u>	<u>11,229,851</u>

-	-	-	39,966
-	12,935,960	445,158	23,004,439
20,540,878	-	-	23,387,998
-	-	-	4,046,597
<u>20,540,878</u>	<u>12,935,960</u>	<u>445,158</u>	<u>50,479,000</u>
<u>\$ 26,191,904</u>	<u>\$ 12,935,960</u>	<u>\$ 445,158</u>	<u>\$ 61,708,851</u>

# OAK GROVE SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2018

<b>Total Fund Balance - Governmental Funds</b>		\$ 50,479,000
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 the governmental funds.		
The cost of capital assets is	\$ 291,846,077	
Accumulated depreciation is	<u>(61,973,848)</u>	
Net Capital Assets		229,872,229
In governmental funds, unmatured interest on long-term debt is recognized in the period when payment is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when it is incurred.		
		(3,250,034)
An internal service fund is used by the District's management to charge the costs of the dental and vision insurance programs to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		
		1,421,950
Total OPEB liability and related deferred inflows and outflows of resources are not due in the current period and therefore are not reported on the governmental funds.		
		(24,320,473)
Net pension liability and related deferred inflows and outflows of resources are not due in the current period and therefore are not reported on the governmental funds.		
		(91,162,691)
Unamortized deferred charge on refunding is recognized as a deferred outflow on the statement of net position. The deferred charges are recognized in the governmental funds when they were paid.		
		7,267,437
Long-term liabilities at year end consist of:		
Bonds payable and related premiums	212,731,715	
Compensated absences	880,383	
Capital lease payable	<u>12,597,796</u>	
Total Long-Term Obligations		(226,209,894)
<b>Total Net Position - Governmental Activities</b>		<u><u>\$ (55,902,476)</u></u>

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

*This page left blank intentionally.*

# OAK GROVE SCHOOL DISTRICT

## GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2018

	<u>General Fund</u>	<u>Cafeteria Fund</u>	<u>Building Fund</u>
<b>REVENUES</b>			
Local control funding formula	\$ 91,407,634	\$ -	\$ -
Federal sources	4,087,227	2,747,258	-
Other state sources	9,431,162	185,338	-
Other local sources	8,140,085	1,062,638	263,399
Total Revenues	<u>113,066,108</u>	<u>3,995,234</u>	<u>263,399</u>
<b>EXPENDITURES</b>			
Current			
Instruction	73,817,115	-	-
Instruction-related activities:			
Supervision of instruction	5,156,490	-	-
Instructional library, media and technology	384,000	-	-
School site administration	6,579,200	-	-
Pupil Services:			
Home-to-school transportation	3,913,893	-	-
Food services	660	4,198,698	-
All other pupil services	6,292,494	-	-
Administration:			
Data processing	1,942,170	-	-
All other administration	5,661,262	219,216	-
Plant services	8,950,546	106	-
Ancillary services	130,496	-	-
Community services	14,638	-	-
County operated programs	5,731,953	-	-
Capital outlays	29,160	-	27,973,769
Debt service			
Principal	581,860	-	-
Interest and other	448,916	-	-
Total Expenditures	<u>119,634,853</u>	<u>4,418,020</u>	<u>27,973,769</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(6,568,745)</u>	<u>(422,786)</u>	<u>(27,710,370)</u>
Other Financing Sources (Uses):			
Transfers in	5,826,601	411,356	-
Other sources	177,591	-	-
Transfers out	(411,356)	-	-
Net Financing Sources (Uses)	<u>5,592,836</u>	<u>411,356</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>(975,909)</u>	<u>(11,430)</u>	<u>(27,710,370)</u>
<b>Fund Balance - Beginning</b>	<u>9,774,737</u>	<u>11,430</u>	<u>35,468,546</u>
<b>Fund Balance - Ending</b>	<u>\$ 8,798,828</u>	<u>\$ -</u>	<u>\$ 7,758,176</u>

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

<b>Special Reserve Capital Outlay Fund</b>	<b>Bond Interest and Redemption Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 91,407,634
-	80,853	-	6,915,338
552,197	85,047	-	10,253,744
1,286,259	13,948,486	106,491	24,807,358
<u>1,838,456</u>	<u>14,114,386</u>	<u>106,491</u>	<u>133,384,074</u>
-	-	-	73,817,115
-	-	-	5,156,490
-	-	-	384,000
-	-	-	6,579,200
-	-	-	3,913,893
-	-	-	4,199,358
-	-	-	6,292,494
-	-	-	1,942,170
-	-	11,486	5,891,964
-	-	-	8,950,652
-	-	-	130,496
-	-	-	14,638
-	-	-	5,731,953
552,197	-	-	28,555,126
-	9,940,000	-	10,521,860
-	6,662,344	-	7,111,260
<u>552,197</u>	<u>16,602,344</u>	<u>11,486</u>	<u>169,192,669</u>
<u>1,286,259</u>	<u>(2,487,958)</u>	<u>95,005</u>	<u>(35,808,595)</u>
-	-	-	6,237,957
-	-	-	177,591
<u>(5,826,601)</u>	-	-	<u>(6,237,957)</u>
<u>(5,826,601)</u>	-	-	<u>177,591</u>
<u>(4,540,342)</u>	<u>(2,487,958)</u>	<u>95,005</u>	<u>(35,631,004)</u>
25,081,220	15,423,918	350,153	86,110,004
<u>\$ 20,540,878</u>	<u>\$ 12,935,960</u>	<u>\$ 445,158</u>	<u>\$ 50,479,000</u>

# OAK GROVE SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

---

**Total Net Change in Fund Balances - Governmental Funds** \$ (35,631,004)

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 capital outlays exceed depreciation in the period.

Capital outlays	\$ 28,378,795	
Depreciation expense	<u>(6,162,478)</u>	
Net expense adjustment		22,216,317

Proceeds received from capital lease is a revenue in the governmental funds, but it increases long-term obligations in the statement of net position and does not affect the statement of activities. (177,591)

Amorization of deferred finance charge reduces expenses on the statement of activities but is not recorded on the governmental funds. (499,821)

Accreted interest is not an expenditure in the governmental funds, but it increases the long term liabilities in the statement of net position and is reflected as additional interest expense in the statement of activities. (2,633,792)

Payment of principal on general obligation bonds 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. 9,940,000

Payment of principal on capital leases 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. 581,860

Amortization of bond premiums are recorded as revenue when received in governmental funds, but they are recorded as a liability in the statement of net position and amortized to operations in the statement of activities. 1,058,720

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



**OAK GROVE SCHOOL DISTRICT**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES, (Continued) FOR THE YEAR ENDED JUNE 30, 2018**

---

Interest on long-term debt is recorded as an expenditure in the governmental funds when it is due; however, in the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.	(295,474)
In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount actually paid.	14,699
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.	(4,471,912)
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.	(1,167,263)
An internal service fund is used by the District's management to charge the costs of the dental and vision insurance programs to the individual funds. The net revenue of the internal service fund is reported with governmental activities.	325,923
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ (10,739,338)</u></u>

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

**OAK GROVE SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF FUND NET POSITION  
JUNE 30, 2018**

	<b>Child Care Enterprise Fund</b>	<b>Governmental Activities Self-Insurance Internal Service Fund</b>
<b>ASSETS</b>		
Current Assets		
Deposits and investments	\$ 1,280,781	\$ 1,527,499
Receivables	159,573	31,109
Total Current Assets	<u>1,440,354</u>	<u>1,558,608</u>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	20,336	-
Due to other funds	154,683	-
Unearned revenue	65,797	6,634
Claim liabilities	-	130,024
Total Current Liabilities	<u>240,816</u>	<u>136,658</u>
<b>NET POSITION</b>		
Restricted for insurance programs	-	1,421,950
Unrestricted	1,199,538	-
Total Net Position	<u>\$ 1,199,538</u>	<u>\$ 1,421,950</u>

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

**OAK GROVE SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Child Care Enterprise Fund</b>	<b>Governmental Activities Self-Insurance Internal Service Fund</b>
<b>OPERATING REVENUES</b>		
Fees charged to users or other funds	\$ 1,646,506	\$ 2,221,675
Other revenues	11,902	-
Total operating revenue	<u>1,658,408</u>	<u>2,221,675</u>
<b>OPERATING EXPENSES</b>		
Payroll costs	1,428,160	-
Supplies and materials	70,856	-
Insurance and other expenses	214,496	1,910,482
Total operating expenses	<u>1,713,512</u>	<u>1,910,482</u>
Operating Income (Loss)	<u>(55,104)</u>	<u>311,193</u>
<b>NONOPERATING REVENUES</b>		
Interest income	<u>15,818</u>	<u>14,730</u>
<b>Change in Net Position</b>	(39,286)	325,923
<b>Total Net Position - Beginning</b>	1,238,824	1,096,027
<b>Total Net Position - Ending</b>	<u>\$ 1,199,538</u>	<u>\$ 1,421,950</u>

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

**OAK GROVE SCHOOL DISTRICT**

**PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Child Care Enterprise Fund</b>	<b>Governmental Activities Self-Insurance Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from user charges	\$ 1,706,235	\$ 2,214,623
Cash payments to employees for services	(1,428,160)	-
Cash payments for insurance claims	-	(1,911,903)
Cash payments to suppliers for goods and services	(384,925)	-
Net Cash Provided by (Used for) Operating Activities	<u>(106,850)</u>	<u>302,720</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	<u>15,818</u>	<u>14,730</u>
Net Change in Cash and Cash Equivalents	(91,032)	317,450
Cash and Cash Equivalents - Beginning	1,371,813	1,210,049
Cash and Cash Equivalents - Ending	<u>\$ 1,280,781</u>	<u>\$ 1,527,499</u>
<b>RECONCILIATION OF OPERATING INCOME</b>		
<b>NET CASH TO PROVIDED BY OPERATING ACTIVITITES</b>		
Operating income (loss)	\$ (55,104)	\$ 311,193
Changes in assets and liabilities:		
Receivables	(146,451)	(4,865)
Accrued liabilities	3,575	(1,420)
Unearned revenue	47,827	(2,187)
Due to other fund	43,303	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ (106,850)</u>	<u>\$ 302,721</u>

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

# OAK GROVE SCHOOL DISTRICT

## FIDUCIARY FUND STATEMENT OF ASSETS AND LIABILITIES JUNE 30, 2018

---

	<u>Agency Fund</u>
<b>ASSETS</b>	
Deposits and investments	\$ 147,614
Receivables	546
Total Assets	<u>\$ 148,160</u>
 <b>LIABILITIES</b>	
Due to student groups	<u>\$ 148,160</u>

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

# OAK GROVE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

---

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

The District was established in 1862 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 K-8 as mandated by the State and Federal agencies. The District operates sixteen elementary schools, and three middle schools.

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 Oak Grove School District, this includes general operations, food service, 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 three broad fund categories: governmental, proprietary, 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 and non-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.

**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). Major sources of revenues are meal reimbursements from state and federal sources. The District elected to present the fund as a major fund.

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

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

# OAK GROVE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

---

**Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of, district bonds, interest, and related costs.

### Non-Major Governmental Funds

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

**Tax Override Fund** The Tax Override Fund is used for the repayment of voted indebtedness (other than Bond Interest and Redemption Fund repayments) to be financed from ad valorem tax levies.

**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).

**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).

**Proprietary Funds** Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the local education agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has the following proprietary funds:

**Child Care Enterprise Fund** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The only enterprise fund of the District accounts for the financial transactions related to the child care services of the District.

**Self-Insurance Internal Service Fund** Internal Service funds may be used to account for goods or services provided to other funds of the District in return for a fee to cover the cost of operations. The District operates a dental program and a vision program that is accounted for in an internal service fund.

**Fiduciary Funds** Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs.

**Student body Agency Fund** 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).

# OAK GROVE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

---

### Basis of Accounting - Measurement Focus

**Government-Wide Financial Statements** The government-wide financial 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 the business type activities and each governmental function, and exclude fiduciary funds. 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 program 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 use 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. The enterprise and internal service funds are presented in a single column on the face of the proprietary fund statement.

**Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets 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 financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.



# OAK GROVE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

---

**Proprietary Funds** Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net position. The statement of changes in fund net position presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

**Fiduciary Fund** Fiduciary fund is accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary fund is excluded from the government-wide financial statements because it does not represent resources of the District.

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available and when the exchange takes place. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 365 days of fiscal year-end.

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 levied. 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 restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

### **Unearned Revenue**

Unearned revenue arises when potential resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

### **Cash and Cash Equivalents**

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

### **Investments**

Investments held at June 30, 2018, 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 Treasury are determined by the County.

# OAK GROVE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

---

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

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

### **Stores Inventories**

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

### **Capital Assets and Depreciation**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$15,000. The District does not possess any infrastructure. 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 capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated acquisition cost on the date donated.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings and improvements, 50 years; furniture and equipment, 5 to 30 years.

### **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 type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

# OAK GROVE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

---

### **Compensated Absences**

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is not reported.

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 classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

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

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

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

Debt premiums and discounts, as well as issuance costs, related to prepaid insurance costs are reported as a component of debt (or as prepaid items if for insurance), and are amortized over the life of the bonds using the straight line method.

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

# OAK GROVE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

---

### 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.

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 on refunding of debt, for pension related items, and for OPEB related items.

### Pensions

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

### Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Plan and additions to/deductions from the District Plan fiduciary net position have been determined on the same basis as they are reported by the District Plan. For this purpose, the District Plan 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.

### Fund Balances - Governmental Funds

As of June 30, 2018, 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.

**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 or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

**Unassigned** - all other spendable amounts.

# OAK GROVE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

---

### **Spending Order Policy**

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

### **Minimum Fund Balance Policy**

In fiscal year 2010-2011, 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, deferred outflows of resources, 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.

### **Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are in-district premium or user fees for child care. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### **Interfund Activity**

Transfers between governmental and business-type activities in the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses 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.

### **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.

# OAK GROVE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

---

### 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.

### New Accounting Pronouncements Effective This Fiscal Year

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by State and local governmental employers about financial support for OPEB that is provided by other entities. The District has implemented the provisions of this Statement as of June 30, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The District has implemented the provisions of this Statement as of June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The District has implemented the provisions of this Statement as of June 30, 2018.

### New Accounting Pronouncements Effective in Future Fiscal Years

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged. The District has not determined the effect of the statement.

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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged. The District has not determined the effect of the statement.

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. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The District has not determined the effect of the statement.

# OAK GROVE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

---

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged. The District has not determined the effect of the statement.

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. 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 District has not determined the effect of the statement.

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 53,155,440
Proprietary funds	2,808,280
Fiduciary fund	147,614
Total Deposits and Investments	<u>\$ 56,111,334</u>

Deposits and investments as of June 30, 2018, consist of the following:

Cash on hand and in banks	\$ 798,606
Cash in revolving	20,000
Investments in County Treasury	55,292,728
Total Deposits and Investments	<u>\$ 56,111,334</u>

#### Policies and Practices

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

#### Investments 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 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 amortized cost that approximate fair value provided by the County

# OAK GROVE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

---

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 the SEC.

### General Authorizations

The District's policy is to follow the requirements stipulated by the California government code related to investments. Limitations as they relate to interest rate risk and concentration of credit risk are indicated in the schedules below:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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
Supranational Obligations	5 years	30%	10%

### 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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by depositing substantially all of its funds in the County Treasury Pool. The cost and fair value of the deposits with County Treasurer at June 30, 2018 approximate cost, and the weighted average maturity of the pool was 479 days.

### 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 measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the County Pool is not rated as of June 30, 2018.



# OAK GROVE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

### 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 percent of the total amount deposited by public agencies. As of June 30, 2018, the District's bank balance was not exposed to custodial credit risk.

### Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs – quoted prices in active markets for identical assets.

Level 2 inputs – quoted prices in active or inactive for the same or similar assets.

Level 3 inputs – estimates using the best information available when there is little or no market.

Uncategorized – Investment in the 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. As of June 30, 2018, all of the District's investment is in the Santa Clara county Treasury and are reported as uncategorized.

### NOTE 3 - RECEIVABLES

Receivables at June 30, 2018, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General	Cafeteria	Building	Special Reserve	Bond Interest	Non-Major	Total	Proprietary
	Fund	Fund	Fund	Capital Outlay Fund	and Redemption Fund	Governmental Funds	Governmental Funds	Funds
Federal Government:								
Categorical aid	\$ 471,050	\$ 95,917	\$ -	\$ -	\$ -	\$ -	\$ 566,967	\$ -
State Government:								
Categorical aid	244,961	15,319	-	-	-	-	260,280	-
Lottery	440,458	-	-	-	-	-	440,458	-
Interest	44,192	1,822	41,968	75,902	31,441	1,837	197,162	9,229
Local Sources	245,887	23,210	-	-	-	-	269,097	181,453
Total	<u>\$ 1,446,548</u>	<u>\$ 136,268</u>	<u>\$ 41,968</u>	<u>\$ 75,902</u>	<u>\$ 31,441</u>	<u>\$ 1,837</u>	<u>\$ 1,733,964</u>	<u>\$ 190,682</u>

**OAK GROVE SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 3,521,000	\$ -	\$ -	\$ 3,521,000
Construction in progress	5,214,556	1,074,012	5,132,585	1,155,983
Total Capital Assets Not Being Depreciated	8,735,556	1,074,012	5,132,585	4,676,983
Capital Assets Being Depreciated:				
Buildings and improvements	243,076,356	31,880,988	-	274,957,344
Furniture and equipment	11,655,370	556,380	-	12,211,750
Total Capital Assets Being Depreciated	254,731,726	32,437,368	-	287,169,094
Total Capital Assets	263,467,282	33,511,380	5,132,585	291,846,077
Less Accumulated Depreciation:				
Buildings and improvements	47,332,147	5,344,311	-	52,676,458
Furniture and equipment	8,479,223	818,167	-	9,297,390
Total Accumulated Depreciation	55,811,370	6,162,478	-	61,973,848
Governmental Activities Capital Assets, Net	<u>\$ 207,655,912</u>	<u>\$ 27,348,902</u>	<u>\$ 5,132,585</u>	<u>\$ 229,872,229</u>

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

<b>Governmental Activities</b>	
Instruction	\$ 3,762,639
Supervision of instruction	262,839
Instructional library, media, and technology	19,573
School site administration	335,358
Pupil transportation	199,501
Food services	214,052
Other pupil services	320,744
Ancillary services	6,652
Community services	744
Other general administration	485,142
Data processing services	98,997
Plant maintenance and operations	456,237
Total Depreciation Expense Governmental Activities	<u>\$ 6,162,478</u>

**OAK GROVE SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**NOTE 5 - INTERFUND TRANSACTION**

**Interfund Receivables/Payables (Due To/Due From)**

Interfund receivable and payable balances at June 30, 2018, between major and non-major governmental funds, and enterprise fund are as follows:

Due To	Due From			Total
	General	Cafeteria	Special Reserve - Capital Outlay	
General	\$ -	\$ 193,772	\$ -	\$ 193,772
Cafeteria	-	-	800,000	800,000
Capital Facilities	5,651,026	-	-	5,651,026
Child Care Enterprise	154,683	-	-	154,683
<b>Total</b>	<b>\$ 5,805,709</b>	<b>\$ 193,772</b>	<b>\$ 800,000</b>	<b>\$ 6,799,481</b>

All balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**Operating Transfers**

Interfund transfers for the year ended June 30, 2018, consisted of the following:

Transfer Out	Transfers In		
	General	Cafeteria	Total
General	\$ -	\$ 411,356	\$ 411,356
Special Reserve - Capital Outlay	5,826,601	-	5,826,601
<b>Total</b>	<b>\$ 5,826,601</b>	<b>\$ 411,356</b>	<b>\$ 6,237,957</b>

The General fund transferred to the Cafeteria fund for support.	\$ 411,356
The Special Reserve - Capital Outlay fund transferred to General fund for operation.	5,826,601
<b>Total</b>	<b>\$ 6,237,957</b>

**NOTE 6 - DEFERRED CHARGE ON REFUNDING**

Deferred outflows of resources is a consumption 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 \$19,568,331 includes the effect of deferring the recognition of loss from advance refunding. The \$7,267,437 balance of the deferred outflows of resources at June 30, 2018, will be recognized as an expense and as a decrease in net position over the remaining life of related bonds. During the year, \$499,821 was recognized as expense.

**OAK GROVE SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 7 - ACCOUNTS PAYABLE**

Accounts payable at June 30, 2018, consisted of the following:

	General Fund	Cafeteria Fund	Building Fund	Total Governmental Funds	Proprietary Funds
Vendor payables	\$ 888,506	\$ 86,699	\$ 970,547	\$ 1,945,752	\$ 1,400
State apportionment	1,184,546	-	-	1,184,546	-
Salaries and benefits	375,217	13,292	-	388,509	18,936
Total	<u>\$ 2,448,269</u>	<u>\$ 99,991</u>	<u>\$ 970,547</u>	<u>\$ 3,518,807</u>	<u>\$ 20,336</u>

**NOTE 8 - UNEARNED REVENUE**

Unearned revenue at June 30, 2018, consists of the following:

	General Fund	Cafeteria Fund	Total Governmental Funds	Proprietary Funds
Federal financial assistance	\$ 138,761	\$ -	\$ 138,761	\$ -
State categorical aid	609,965	-	609,965	-
Other local	253,835	63,685	317,520	72,431
Total	<u>\$ 1,002,561</u>	<u>\$ 63,685</u>	<u>\$ 1,066,246</u>	<u>\$ 72,431</u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

**Summary**

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

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018	Due in One Year
General obligation bonds	\$ 206,298,990	\$ 2,633,792	\$ 9,940,000	\$ 198,992,782	\$ 8,354,876
Premium on bonds	14,797,653	-	1,058,720	13,738,933	1,058,720
Subtotal	221,096,643	2,633,792	10,998,720	212,731,715	9,413,596
Compensated absences	895,082	-	14,699	880,383	-
Capital leases	13,002,065	177,591	581,860	12,597,796	672,285
	<u>\$ 234,993,790</u>	<u>\$ 2,811,383</u>	<u>\$ 11,595,279</u>	<u>\$ 226,209,894</u>	<u>\$ 10,085,881</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund. This fund receives property tax revenues which are used solely to repay the principal and interest due on these obligations. General revenues are not required to fund the debt service on these obligations. Payments on the capital leases are made by the General Fund and Building Fund. The compensated absences will be paid by the fund for which the employee worked. The State Allocation Board penalty will be paid by the Special Reserve Capital Outlay Fund.

# OAK GROVE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

### Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2018	
				Outstanding July 1, 2017	Accreted	Redeemed		
2009	8/1/2033	5.50%	\$ 10,000,000	\$ 2,195,000	\$ -	\$ -	\$ 2,195,000	
2009	8/1/2033	4.45-6.83%	19,999,923	29,846,663	1,933,158	-	31,779,821	
2009	8/1/2024	3.50-5.25%	8,390,000	3,790,000	-	935,000	2,855,000	
2011	8/1/2035	2.72-6.97%	18,249,429	12,457,327	700,634	800,000	12,357,961	
2011	8/1/2024	5.36%	1,750,000	1,750,000	-	-	1,750,000	
2012	8/1/2025	1.25-4.00%	17,305,000	10,730,000	-	1,800,000	8,930,000	
2014	8/1/2024	2.00-5.00%	8,400,000	7,535,000	-	735,000	6,800,000	
2015	8/1/2044	4.00-5.00%	57,575,000	57,575,000	-	-	57,575,000	
2015	8/1/2019	2.00-5.00%	6,025,000	2,875,000	-	2,050,000	825,000	
2016	8/1/2024	2.00-5.00%	15,415,000	13,795,000	-	1,000,000	12,795,000	
2016	8/1/2023	2.00-4.00%	6,650,000	6,650,000	-	1,860,000	4,790,000	
2016	8/1/2045	2.00-4.00%	26,200,000	26,200,000	-	100,000	26,100,000	
2016	8/1/2033	2.00-5.00%	12,000,000	11,750,000	-	110,000	11,640,000	
2017	8/1/2041	1.50-4.00%	19,150,000	19,150,000	-	550,000	18,600,000	
			<u>\$ 227,109,352</u>	<u>\$ 206,298,990</u>	<u>\$ 2,633,792</u>	<u>\$ 9,940,000</u>	<u>198,992,782</u>	
							Unamortized premium	13,738,933
							Total	<u>\$ 212,731,715</u>

### Debt Service Requirements to Maturity

The bonds mature through 2046 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2019	\$ 8,354,876	\$ 6,867,707	\$ 15,222,583
2020	8,086,058	6,750,275	14,836,333
2021	6,600,700	6,777,283	13,377,983
2022	9,281,698	6,892,985	16,174,683
2023	8,046,753	6,998,998	15,045,751
2024-2028	27,193,855	38,558,401	65,752,256
2029-2033	24,485,706	37,456,844	61,942,550
2034-2038	30,583,586	30,642,251	61,225,837
2039-2043	36,940,000	7,972,267	44,912,267
2044-2046	21,710,000	1,346,600	23,056,600
Subtotal	<u>181,283,232</u>	<u>\$ 150,263,610</u>	<u>\$ 331,546,842</u>
Accretion to date	17,709,550		
Total bonds outstanding	<u>\$ 198,992,782</u>		

# OAK GROVE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

---

### Capital Leases

The District has entered into agreements to lease various vehicles and equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

	Solar Project
Balance, July 1, 2017	\$ 15,929,809
Payments	(754,679)
Balance, June 30, 2018	<u>\$ 15,175,130</u>

The capital leases have minimum lease payments as follows:

<u>Fiscal Year</u>	<u>Lease Payment</u>
2019	1,027,406
2020	1,047,834
2021	1,081,812
2022	1,072,853
2023	1,110,521
2024-2028	6,588,305
2029-2030	3,246,399
Subtotal	<u>15,175,130</u>
Less: amount representing interest	<u>(2,577,334)</u>
Minimum Payment	<u>\$ 12,597,796</u>

**OAK GROVE SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 10 - FUND BALANCES**

Fund balances are composed of the following elements:

	<u>General Fund</u>	<u>Cafeteria Fund</u>	<u>Building Fund</u>	<u>Special Reserve Capital Fund</u>	<u>Bond Interest and Redemption Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable							
Revolving cash	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,000
Stores inventories	19,966	-	-	-	-	-	19,966
Total Nonspendable	<u>39,966</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,966</u>
Restricted							
Educational programs	4,650,596	-	-	-	-	-	4,650,596
Capital projects	-	-	5,417,883	-	-	444,463	5,862,346
Debt service	-	-	-	-	12,935,960	695	12,936,655
Total Restricted	<u>4,650,596</u>	<u>-</u>	<u>5,417,883</u>	<u>-</u>	<u>12,935,960</u>	<u>445,158</u>	<u>23,449,597</u>
Assigned							
Capital projects	-	-	2,340,293	20,540,878	-	-	22,881,171
Early Retirement	506,827	-	-	-	-	-	506,827
Total Assigned	<u>506,827</u>	<u>-</u>	<u>2,340,293</u>	<u>20,540,878</u>	<u>-</u>	<u>-</u>	<u>23,387,998</u>
Unassigned							
Total	<u>3,601,439</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,601,439</u>
	<u>\$ 8,798,828</u>	<u>\$ -</u>	<u>\$ 7,758,176</u>	<u>\$ 20,540,878</u>	<u>\$ 12,935,960</u>	<u>\$ 445,158</u>	<u>\$ 50,479,000</u>

**NOTE 11 - LEASE REVENUES**

Lease agreements have been entered into with various lessees for terms that exceed one year. None of the agreements contain purchase options. All of the agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessor, but is unlikely that the District will cancel any of the agreements prior to their expiration date. The future minimum lease payments expected to be received under these agreements are as follows:

<u>Fiscal Year</u>	<u>Lease Revenue</u>
2019	\$ 1,764,240
2020	1,483,072
2021	1,483,072
2022	1,467,993
2023	1,424,723
2024-2028	4,049,906
2029-2030	656,937
Total	<u>\$ 12,329,943</u>

**OAK GROVE SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**NOTE 12 - TOTAL POST EMPLOYMENT BENEFIT (OPEB) LIABILITY**

For the fiscal year ended June 30, 2018, the District reported total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 22,924,721	\$ 498,614	\$ 1,894,366	\$ 1,167,263

The details of the District plan are as follows:

**Plan Administration**

The District's governing board administers the Postemployment Benefits 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.

*Plan Membership*

At June 30, 2017, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	45
Active employees	918
Total Plan Members	963

*Benefits Provided*

The Plan provides medical, dental, vision and life 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 Plan offers employees health benefits from within different bargaining units who retire after age 50 to 60 with at least 10 years of service. The Plan makes payments for five years or until age 65, whichever comes first. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

*Contributions*

The contribution requirements of Plan members and the District are established and may be amended by the District, different bargaining units, and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2017-2018, the District contributed \$498,614 to the Plan, all of which was used for current premiums.



# OAK GROVE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

---

### *Actuarial Assumptions*

The total OPEB liability in the June 30, 2017 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	3% percent, average, including inflation
Investment rate of return	3.58% percent, net of OPEB plan investment expense, including inflation
Health care cost trend rates	6.0% to 6.5% percent for 2017

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

Mortality rates were based on the 2016 CalSTRS Mortality Table for certificated employees and the 2014 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 reeducation. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actual assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study for the period July 1, 2016 to June 30, 2017.

### **Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance at June 30, 2016	\$ 23,153,210
Service cost	1,863,094
Interest	649,971
Changes of assumptions or other inputs	(2,047,137)
Benefit payments	(694,417)
Net change in total OPEB liability	(228,489)
Balance at June 30, 2017	\$ 22,924,721

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85 percent in 2016 to 3.58 percent in 2017.

**OAK GROVE SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate:

<u>Discount Rate</u>	<u>Total OPEB Liability</u>
1% decrease (2.58%)	\$ 25,785,997
Current discount rate (3.58%)	22,924,721
1% increase (4.58%)	20,450,225

*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 (5 to 4.5 percent) or 1-percentage-point higher (7 to 7.5 percent) than the current healthcare costs trend rates:

<u>Healthcare Cost Trend Rates</u>	<u>Total OPEB Liability</u>
1% decrease (5.0% to 5.5%)	\$ 19,988,049
Current healthcare cost trend rate (6.0% to 6.5%)	22,924,721
1% increase (7.0% to 7.5%)	26,434,539

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB**

For the year ended June 30, 2018, the District recognized OPEB expense of \$1,167,263. At June 30, 2018, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of \$498,614, and deferred inflows of resources for changes in assumptions of \$1,894,366.

The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the subsequent fiscal year. The deferred inflows of resources related to changes in assumptions will be amortized over a closed 13.4 years and will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2019	\$ (152,771)
2020	(152,771)
2021	(152,771)
2022	(152,771)
2023	(152,771)
Thereafter	(1,130,511)
	<u>\$ (1,894,366)</u>

# OAK GROVE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

---

### 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, 2018, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Pension Expense</u>
CalSTRS	\$ 84,356,637	\$ 23,162,975	\$ 5,693,812	\$ 8,198,286
CalPERS	33,958,279	10,328,233	645,171	6,200,992
Total	<u>\$ 118,314,916</u>	<u>\$ 33,491,208</u>	<u>\$ 6,338,983</u>	<u>\$ 14,399,278</u>

The details of each plan are as follows:

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

##### **Plan Description**

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:  
<http://www.calstrs.com/member-publications>.

##### **Benefits Provided**

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

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

# OAK GROVE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

The District contributes 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, 2018, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.21%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

### 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, 2018, are presented above and the District's total contributions were \$7,102,104.

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

At June 30, 2018, 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:

District's proportionate share of net pension liability	\$ 84,356,637
State's proportionate share of the net pension liability associated with the District	49,904,674
Total net pension liability, including State share	<u>\$ 134,261,311</u>

The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, respectively was 0.0912 percent and 0.0942 percent, resulting in a net decrease in the proportionate share of 0.0030 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$8,198,286. In addition, the District recognized pension expense and revenue of \$5,023,385 for support provided by the State.

# OAK GROVE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

June 30, 2018, 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	\$ 7,102,104	\$ -
Differences between projected and actual earnings on plan investments	-	(2,246,652)
Differences between expected and actual experience	311,959	(1,471,240)
Change in assumption	15,628,052	-
Change in proportions	120,860	(1,975,920)
Total	<u>\$ 23,162,975</u>	<u>\$ (5,693,812)</u>

The deferred outflows 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:

Fiscal Year	Deferred Outflows/(Inflows) Amortization
2019	\$ (1,868,013)
2020	1,413,486
2021	203,845
2022	(1,995,970)
Total	<u>\$ (2,246,652)</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, 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:

Fiscal Year	Deferred Outflows/(Inflows) Amortization
2019	\$ 4,813,244
2020	4,813,244
2021	4,274,347
2022	(575,740)
2023	(434,058)
2024	(277,326)
Total	<u>\$ 12,613,711</u>

# OAK GROVE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

---

### Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
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, 2017, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Absolute return/risk	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%
	100%	

# OAK GROVE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

---

### 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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.10%)	\$ 123,862,324
Current discount rate (7.10%)	\$ 84,356,637
1% increase (8.10%)	\$ 52,295,095

### 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 regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:  
<https://www.calpers.ca.gov/page/forms-publications>.

# OAK GROVE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

---

### 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, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.50%
Required employer contribution rate	15.531%	15.531%

### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are 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 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, 2018, are presented above and the total District contributions were \$2,825,262.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$33,958,279. The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, respectively was 0.1422 percent and 0.1423 percent, resulting in a net decrease in the proportionate share of 0.0001 percent.



**OAK GROVE SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

For the year ended June 30, 2018, the District recognized pension expense of \$6,200,992. At June 30, 2018, 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	\$ 2,825,262	\$ -
Net change in proportionate share of net pension liability	1,174,724	-
Difference between projected and actual earnings on pension plan investments	4,960,141	(399,817)
Differences between expected and actual experience in the measurement of the total pension liability	1,216,585	-
Changes of assumptions	151,521	(245,354)
Total	<u>\$ 10,328,233</u>	<u>\$ (645,171)</u>

The deferred outflows 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:

Fiscal Year	Deferred Outflows/(Inflows) Amortization
2019	\$ (31,831)
2020	1,355,377
2021	494,456
2022	(643,278)
Total	<u>\$ 1,174,724</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, 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 3.9 years and will be recognized in pension expense as follows:

Fiscal Year	Deferred Outflows/(Inflows) of Resources
2018	\$ 2,048,153
2019	1,922,382
2020	1,712,541
Total	<u>\$ 5,683,076</u>

# OAK GROVE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

---

### Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

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	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and forestland	3%	5.36%
Liquidity	2%	-0.90%
	100%	

# OAK GROVE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

---

### 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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 41,916,416
Current discount rate (7.15%)	\$ 33,958,279
1% increase (8.15%)	\$ 16,584,133

### NOTE 14 - 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, 2018, the District contracted with the Santa Clara County Schools Insurance Group for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in the past three years. There has not been a significant reduction in coverage from the prior year.

<u>Insurance Program Company Name</u>	<u>Type of Coverage</u>	<u>Limits</u>
<u>Workers' Compensation Program</u>		
Santa Clara County School's Insurance Group	Workers' Compensation	\$ 1,000,000
<u>Property and Liability Program</u>		
School Excess Liability Fund ( SELF )	Excess General Liability	\$ 25,000,000
Santa Clara County School's Insurance Group	General Liability	\$ 5,000,000
Santa Clara County School's Insurance Group	Auto Liability	\$ 5,000,000
Santa Clara County School's Insurance Group	Property	\$ 500,000,000
Santa Clara County School's Insurance Group	Property	\$ 100,000

# OAK GROVE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

---

### Workers' Compensation

For fiscal year 2018, the District participated in the Santa Clara County Schools Insurance Group (JPA), an insurance purchasing pool. The intent of the JPA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the JPA. 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 JPA. Each participant pays its workers' compensation premium based on its individual rate. 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 JPA. Participation in the JPA is limited to districts that can meet the JPA's selection criteria.

#### Employee Medical Benefits

The District has contracted with the California Schools Vision Coalition and California Schools Dental Coalition to administer the employee vision and dental benefits insurance program. The rates are set through an annual calculation process. The District is self-insured for these types of benefits.

### Unpaid Claims Liabilities

The District accounts for the self-insured activities in the Self-Insurance Internal Service Fund. The fund establishes a liability for both reported and unreported events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represent the changes in approximate aggregate liabilities for the District from July 1, 2016 to June 30, 2018:

Liability Balance, June 30, 2016	\$ 133,802
Claims and changes in estimates	1,919,262
Claims payments	<u>(1,921,620)</u>
Liability Balance, June 30, 2017	131,444
Claims and changes in estimates	1,909,063
Claims payments	<u>(1,910,483)</u>
Liability Balance, June 30, 2018	<u>\$ 130,024</u>
Assets available for insurance claims	<u><u>\$ 1,551,974</u></u>

These amounts are reported as accounts payable in the self-insurance fund since it is expected that these amounts will be paid shortly after year end.

### NOTE 15 - 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, 2018.

**OAK GROVE SCHOOL DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

---

**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, 2018.

**Construction Commitments**

As of June 30, 2018, the District had the following commitments with respect to the unfinished capital projects:

Site	Capital Project	Construction Commitment	Expected Date of Completion
Davis Modernization	Canopies/Bathroom,Portables MOD,Athletic Field	<u>\$ 1,155,982</u>	August 2018

**NOTE 16 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWER AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS**

The District is a member of the Santa Clara County Schools Insurance Group (SCCSIG) joint powers authority. The District pays an annual premium to the applicable entity for its workers compensation, property and liability, and employee benefit insurance coverage. Payments for services provided are paid to the JPA. The relationship between the District and the JPA is 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 generally available from the respective entities. The District has appointed one member to the governing board of Santa Clara County Schools Insurance Group.

During the year ended June 30, 2018, the District made payments of \$1,127,621 to SCCSIG for services rendered.

**NOTE 17 - RESTATEMENT FO PRIOR YEAR NET POSITION**

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment benefits Other Than Pensions*, in the current year. As a result, the effect on the current fiscal year is as follows:

Net Position - Beginning	\$ (33,707,129)
Restatement related to OPEB activities	<u>(10,217,185)</u>
Net Position - Beginning as Restated	<u>\$ (43,924,314)</u>

---

---

***REQUIRED SUPPLEMENTARY INFORMATION***

---

---

**OAK GROVE SCHOOL DISTRICT**

**GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>			<b>Variances -</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Positive (Negative) Final to Actual</b>
<b>REVENUES</b>				
Local Control Funding Formula	\$ 90,618,043	\$ 91,121,178	\$ 91,407,634	\$ 286,456
Federal sources	3,629,500	4,521,388	4,087,227	(434,161)
Other state sources	5,987,459	8,329,843	9,431,162	1,101,319
Other local sources	5,478,937	7,423,102	8,140,085	716,983
Total Revenues	<u>105,713,939</u>	<u>111,395,511</u>	<u>113,066,108</u>	<u>1,670,597</u>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	50,454,141	51,035,979	51,231,203	(195,224)
Classified salaries	17,188,904	16,903,859	16,398,859	505,000
Employee benefits	26,914,074	27,354,232	28,959,370	(1,605,138)
Books and supplies	2,718,062	3,685,699	2,157,064	1,528,635
Services and operating expenditures	12,289,153	14,904,553	13,889,098	1,015,455
Other outgo	6,265,255	5,600,783	5,512,736	88,047
Capital outlay	257,000	480,989	455,747	25,242
Debt service - principal	657,982	613,290	581,860	31,430
Debt service - interest	371,002	409,143	448,916	(39,773)
Total Expenditures	<u>117,115,573</u>	<u>120,988,527</u>	<u>119,634,853</u>	<u>1,353,674</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>(11,401,634)</u>	<u>(9,593,016)</u>	<u>(6,568,745)</u>	<u>3,024,271</u>
Other Financing Sources:				
Transfers in	10,401,678	8,099,898	5,826,601	(2,273,297)
Other sources			177,591	177,591
Transfers out	<u>(97,907)</u>	<u>(452,303)</u>	<u>(411,356)</u>	<u>40,947</u>
Net Financing Sources	<u>10,303,771</u>	<u>7,647,595</u>	<u>5,592,836</u>	<u>(2,054,759)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,097,863)</b>	<b>(1,945,421)</b>	<b>(975,909)</b>	<b>969,512</b>
<b>Fund Balance - Beginning</b>	<b>9,774,737</b>	<b>9,774,737</b>	<b>9,774,737</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b><u>\$ 8,676,874</u></b>	<b><u>\$ 7,829,316</u></b>	<b><u>\$ 8,798,828</u></b>	<b><u>\$ 969,512</u></b>

See accompanying note to required supplementary information.

**OAK GROVE SCHOOL DISTRICT**

**CAFETERIA FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variances -
	Original	Final		Positive (Negative)
				Final to Actual
<b>REVENUES</b>				
Federal sources	\$ 2,609,027	\$ 2,698,351	\$ 2,747,258	\$ 48,907
Other state sources	154,165	176,158	185,338	9,180
Other local sources	1,078,332	1,044,959	1,062,638	17,679
Total Revenues	<u>3,841,524</u>	<u>3,919,468</u>	<u>3,995,234</u>	<u>75,766</u>
<b>EXPENDITURES</b>				
Current				
Classified salaries	1,516,968	1,743,732	1,713,507	30,225
Employee benefits	506,952	542,837	513,583	29,254
Books and supplies	39,500	61,010	61,656	(646)
Services and operating expenditures	1,682,741	1,818,140	1,910,057	(91,917)
Other outgo	184,312	217,482	219,217	(1,735)
Total Expenditures	<u>3,930,473</u>	<u>4,383,201</u>	<u>4,418,020</u>	<u>(34,819)</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>(88,949)</u>	<u>(463,733)</u>	<u>(422,786)</u>	<u>40,947</u>
Other Financing Sources:				
Transfers in	<u>97,907</u>	<u>452,303</u>	<u>411,356</u>	<u>(40,947)</u>
Net Financing Sources	<u>97,907</u>	<u>452,303</u>	<u>411,356</u>	<u>(40,947)</u>
<b>NET CHANGE IN FUND BALANCES</b>	8,958	(11,430)	(11,430)	-
<b>Fund Balance - Beginning</b>	11,430	11,430	11,430	-
<b>Fund Balance - Ending</b>	<u>\$ 20,388</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying note to required supplementary information.



# OAK GROVE SCHOOL DISTRICT

## SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE YEAR ENDED JUNE 30, 2018

---

Measurement Date, as of June 30,	<u>2017</u>
Total OPEB Liability	
Service cost	\$ 1,863,094
Interest	649,971
Changes of assumptions	(2,047,137)
Benefit payments	<u>(694,417)</u>
Net change in total OPEB liability	(228,489)
Total OPEB liability - beginning	<u>23,153,210</u>
Total OPEB liability - ending (a)	<u>\$ 22,924,721</u>
Covered-employee payroll	<u>\$ 69,322,219</u>
District's total OPEB liability as a percentage of covered-employee payroll	<u>33.07%</u>

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

See accompanying note to required supplementary information.

**OAK GROVE SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2018**

<b>Measurement Date, as of June 30,</b>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>CalSTRS</b>			
District's proportion of the net pension liability	<u>0.0922%</u>	<u>0.0942%</u>	<u>0.0942%</u>
District's proportionate share of the net pension liability	\$ 84,356,637	\$ 76,216,164	\$ 63,436,646
State's proportionate share of the net pension liability associated with the District	<u>49,904,674</u>	<u>43,388,503</u>	<u>33,550,993</u>
Total	<u>\$ 134,261,311</u>	<u>\$ 119,604,667</u>	<u>\$ 96,987,639</u>
District's covered payroll	<u>\$ 48,311,529</u>	<u>\$ 47,112,577</u>	<u>\$ 40,911,198</u>
District's proportionate share of the net pension liability as a percentage of its covered payroll	<u>175%</u>	<u>162%</u>	<u>155%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>70%</u>	<u>74%</u>
<b>CalPERS</b>			
District's proportion of the net pension liability	<u>0.1423%</u>	<u>0.1423%</u>	<u>0.1455%</u>
District's proportionate share of the net pension liability	<u>\$ 33,958,279</u>	<u>\$ 28,109,165</u>	<u>\$ 21,445,165</u>
District's covered payroll	<u>\$ 18,173,157</u>	<u>\$ 16,912,359</u>	<u>\$ 16,089,913</u>
District's proportionate share of the net pension liability (asset)	<u>187%</u>	<u>166%</u>	<u>133%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>74%</u>	<u>79%</u>

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

See accompanying note to required supplementary information.

---

2014

0.0942%

\$ 54,897,947

33,149,751

\$ 88,047,698

\$ 41,368,667

133%

77%

0.1412%

\$ 16,027,823

\$ 14,796,667

108%

83%

**OAK GROVE SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT'S PENSION CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2018**

<b>Fiscal Year Ended, June 30,</b>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>CalSTRS</b>			
Contractually required contribution	\$ 7,102,104	\$ 6,074,029	\$ 5,037,358
Contributions in relation to the contractually required contribution	<u>7,102,104</u>	<u>6,074,029</u>	<u>5,037,358</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 49,196,140</u>	<u>\$ 48,311,529</u>	<u>\$ 47,112,577</u>
Contributions as a percentage of covered payroll	<u>14.44%</u>	<u>12.57%</u>	<u>10.69%</u>
<b>CalPERS</b>			
Contractually required contribution	\$ 2,825,262	\$ 2,523,888	\$ 2,003,607
Contributions in relation to the contractually required contribution	<u>2,825,262</u>	<u>2,523,888</u>	<u>2,003,607</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 18,191,114</u>	<u>\$ 18,173,157</u>	<u>\$ 16,912,359</u>
Contributions as a percentage of covered payroll	<u>15.53%</u>	<u>13.89%</u>	<u>11.85%</u>

---

2015

\$ 3,985,408

3,985,408

\$ -

\$ 40,911,198

9.74%

\$ 1,841,007

1,841,007

\$ -

\$ 16,089,913

11.44%

**OAK GROVE SCHOOL DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2018**

---

**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.

At June 30, 2018, the District major fund exceeded the budgeted amount in total as follows:

Funds	Expenditures and Other Uses		
	Budget	Actual	Excess
Cafeteria Fund	\$ 4,383,201	\$ 4,418,020	\$ 34,819

**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, and the total OPEB liability. In the future, as data becomes available, ten years of information will be presented.

*Change in Benefit Terms* – No Change in the current year.

*Change in Assumptions* – Discount rate change from 2.85% at June 30, 2016 to 3.58% at June 30, 2017.

**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 in Assumptions* – The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

# OAK GROVE SCHOOL DISTRICT

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

---

### **Schedule of District Pension Contributions**

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*

---

---



**OAK GROVE SCHOOL DISTRICT**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education (CDE):			
Title I - Basic Grants Low-Income	84.010	14329	\$ 1,219,307
Title II - Teacher Quality	84.367	14341	305,033
Title III - Limited English Proficient (LEP)	84.365	14346	122,167
Special Education Cluster			
Basic Local Assistance	84.027	13379	1,646,166
Local Assistance, Private School ISPs	84.027	10115	3,240
Mental Health Allocation Plan, Part B, Section 611	84.027A	14468	120,706
Preschool Grants	84.173	13430	62,366
Preschool Local Entitlement	84.027A	13682	167,272
Preschool Staff Development	84.173A	13431	562
Total Special Education Cluster			<u>2,000,312</u>
Total U.S. Department of Education			<u>3,646,819</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through Department of Health Care Services:			
Medi-Cal Billing Option	93.778	10013	89,126
Medi-Cal Administrative Activities (MAA)	93.778	10060	351,282
Total U.S. Department of Health and Human Services			<u>440,408</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch	10.555	13391	1,841,039
Special Milk	10.556	13528	53,817
Especially Needy Breakfast	10.553	13526	553,674
Commodity	10.555	13391	316,852
Total Child Nutrition Cluster			<u>2,765,382</u>
Child and Adult Care Food Program	10.558	13393	298,728
Total U.S. Department of Agriculture			<u>3,064,110</u>
Total Expenditures of Federal Awards			<u>\$ 7,151,337</u>

See accompanying note to supplementary information.

# OAK GROVE SCHOOL DISTRICT

## LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2018

---

### ORGANIZATION

The Oak Grove School District was established in 1862 and consists of an area comprising approximately 20.7 square miles, bounded by Capitol Expressway to the north, Canoas Creek to the west, Bernal Road to the south and the foothills to the east. There were no boundary changes during the year. The District operates sixteen elementary schools and three middle schools.

### GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Mary Noel	President	2020
Carolyn Bauer	Vice President	2018
Jacquelyn Adams	Member	2018
Dennis Hawkins	Member	2018
John Mackey	Member	2020

### ADMINISTRATION

<u>NAME</u>	<u>TITLE</u>
Jose Manzo	Superintendent
Laura Phan	Assistant Superintendent, Business Services
Andy Garcia	Assistant Superintendent, Human Resources
Maria Wetzel	Assistant Superintendent, Educational Services
Melina Nguyen	Director of Fiscal Services

See accompanying note to supplementary information.

**OAK GROVE SCHOOL DISTRICT**

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2018**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	4,379.72	4,366.10
Fourth through sixth	3,380.50	3,370.68
Seventh and eighth	2,109.86	2,103.77
Total Regular ADA	<u>9,870.08</u>	<u>9,840.55</u>
Extended Year Special Education		
Transitional kindergarten through third	6.39	6.39
Fourth through sixth	4.60	4.60
Seventh and eighth	1.81	1.81
Total Extended Year Special Education	<u>12.80</u>	<u>12.80</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	4.87	4.30
Fourth through sixth	20.70	18.11
Seventh and eighth	4.06	3.67
Total Special Education, Nonpublic, Nonsectarian Schools	<u>29.63</u>	<u>26.08</u>
Community Day School		
Seventh and eighth	10.67	10.56
Total Community Day School	<u>10.67</u>	<u>10.56</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.72	0.72
Fourth through sixth	3.50	3.50
Seventh and eighth	0.73	0.73
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>4.95</u>	<u>4.95</u>
Total Classroom Based ADA	<u>9,928.13</u>	<u>9,894.94</u>

See accompanying note to supplementary information.

**OAK GROVE SCHOOL DISTRICT**

**SCHEDULE OF INSTRUCTIONAL TIME  
FOR THE YEAR ENDED JUNE 30, 2018**

Grade Level	1986-1987	2017-2018	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	46,800	180	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		51,160	180	N/A	Complied
Grade 2		51,160	180	N/A	Complied
Grade 3		51,160	180	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		54,060	180	N/A	Complied
Grade 5		54,060	180	N/A	Complied
Grade 6		54,060	180	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		54,120	180	N/A	Complied
Grade 8		54,120	180	N/A	Complied

See accompanying note to supplementary information.

**OAK GROVE SCHOOL DISTRICT**

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT  
WITH AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

---

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2018.

See accompanying note to supplementary information.

# OAK GROVE SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

	(Budget) 2019 <sup>1</sup>	2018	2017	2016
<b>GENERAL FUND</b>				
Revenues	\$ 114,395,585	\$ 113,066,108	\$ 112,609,826	\$ 113,071,106
Other sources and transfers in	4,086,744	6,004,192	70,980	395,314
Total Revenues and Other Sources	<u>118,482,329</u>	<u>119,070,300</u>	<u>112,680,806</u>	<u>113,466,420</u>
Expenditures	119,483,456	119,634,853	115,185,205	111,119,960
Other uses and transfers out	51,244	411,356	304,106	14,557
Total Expenditures and Other Uses	<u>119,534,700</u>	<u>120,046,209</u>	<u>115,489,311</u>	<u>111,134,517</u>
Increase (Decrease) In Fund Balance	<u>\$ (1,052,371)</u>	<u>\$ (975,909)</u>	<u>\$ (2,808,505)</u>	<u>\$ 2,331,903</u>
Ending fund Balance	<u>\$ 7,746,457</u>	<u>\$ 8,798,828</u>	<u>\$ 9,774,737</u>	<u>\$ 12,583,242</u>
Available Reserves <sup>2</sup>	<u>\$ 3,966,609</u>	<u>\$ 3,601,439</u>	<u>\$ 4,850,480</u>	<u>\$ 8,972,069</u>
Available Reserves as a percentage of Total Outgo	<u>3.32%</u>	<u>3.00%</u>	<u>4.20%</u>	<u>8.07%</u>
Long-Term Obligation <sup>3</sup>	<u>\$ 216,124,013</u>	<u>\$ 226,209,894</u>	<u>\$ 234,993,790</u>	<u>\$ 236,547,537</u>
K-12 Average daily Attendance at P-2	<u>9,699</u>	<u>9,928</u>	<u>10,020</u>	<u>10,260</u>

The General Fund balance has decreased by \$3,784,414 over the past two years. The fiscal year 2018-2019 budget projects a decrease of \$1,052,371. For a District this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses.

The District anticipates an operating deficit during the 2018-2019 fiscal year. Total long-term obligations have decreased by \$10,337,643 over the past two years.

Average daily attendance has decreased by 332 ADA over the past two years. Additional decline of 229 ADA is anticipated during fiscal year 2018-2019.

<sup>1</sup> Budget 2019 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> Available reserves consist of all unassigned fund balances within the General Fund.

<sup>3</sup> Long-Term obligations does not include OPEB and pension liabilities.

See accompanying note to supplementary information.

**OAK GROVE SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2018**

---

	<b>Capital Facilities Fund</b>	<b>Tax Override Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>			
Deposits and investments	\$ 442,626	\$ 695	\$ 443,321
Receivables	1,837	-	1,837
Total Assets	<u>\$ 444,463</u>	<u>\$ 695</u>	<u>\$ 445,158</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Total Liabilities	\$ -	\$ -	\$ -
<b>Fund Balances:</b>			
Restricted	444,463	695	445,158
Total Liabilities and Fund Balances	<u>\$ 444,463</u>	<u>\$ 695</u>	<u>\$ 445,158</u>

See accompanying note to supplementary information.

**OAK GROVE SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2018**

---

	<b>Capital Facilities Fund</b>	<b>Tax Override Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>			
Other local sources	\$ 106,256	\$ 235	\$ 106,491
<b>EXPENDITURES</b>			
General administration	11,486	-	11,486
<b>NET CHANGE IN FUND BALANCES</b>	94,770	235	95,005
<b>Fund Balance - Beginning</b>	349,693	460	350,153
<b>Fund Balance - Ending</b>	<u>\$ 444,463</u>	<u>\$ 695</u>	<u>\$ 445,158</u>

See accompanying note to supplementary information.



# OAK GROVE SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

---

### NOTE 1 - PURPOSE OF SCHEDULES

#### Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balance, and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

Description	CFDA Number	Amount
Total Federal resources reported on Governmental Funds Statement		\$ 6,915,338
Federal subsidy for Build America Bonds not recorded on the SEFA	not available	(80,853)
Commodities not recorded on the financial statements	10.555	316,852
Total Schedule of Expenditures of Federal Awards.		\$ 7,151,337

#### Local Education Agency Organization Structure

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

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

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

#### Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206. Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

# OAK GROVE SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

---

### **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 – Combining Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance**

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

---

---

***INDEPENDENT AUDITOR'S REPORTS***

---

---

*This page left blank intentionally.*



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

Board of Trustees  
Oak Grove School District  
San Jose, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Oak Grove School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Oak Grove School District's basic financial statements, and have issued our report thereon dated November 5, 2018.

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

As discussed in Note 1 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.

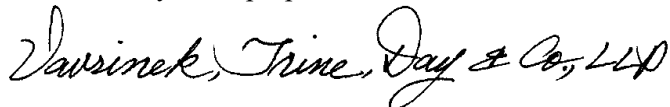
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Oak Grove School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, 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.



Palo Alto, California  
November 5, 2018



**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

VALUE THE *difference*

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees  
Oak Grove School District  
San Jose, California

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

We have audited Oak Grove School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Oak Grove School District's major Federal programs for the year ended June 30, 2018. Oak Grove School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

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

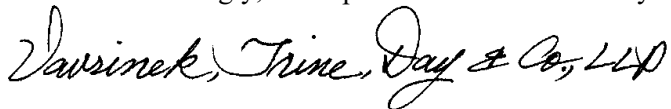
## Report on Internal Control Over Compliance

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

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

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

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



Palo Alto, California  
November 5 2018





**VAVRINEK, TRINE, DAY & CO., LLP**  
Certified Public Accountants

VALUE THE *difference*

## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board of Trustees  
Oak Grove School District  
San Jose, California

### **Report on State Compliance**

We have audited Oak Grove School District's (the District) compliance with the types of compliance requirements as identified in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Oak Grove School District's State government programs as noted below for the year ended June 30, 2018.

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

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

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

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

### ***Unmodified Opinion***

In our opinion, Oak Grove School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2018.

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

	<u>Procedures Performed</u>
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
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	No, see below
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No, see below
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	Yes
General Requirements	Yes
After School	Yes
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
<b>CHARTER SCHOOLS</b>	
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

We did not perform testing for Independent Study because the ADA generated is below the testing threshold.

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

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.

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

The District does not have any Middle or Early College High Schools; therefore, we did not perform any procedures related to Middle or Early College High Schools.

The District does not offer an Apprenticeship Program; therefore, we did not perform any procedures for the Apprenticeship Program.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform any procedures related to the Before School Education and Safety Program.

The District does not offer a Course Based Independent Study program; therefore, we did not perform any related procedures.

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



Palo Alto, California  
November 5, 2018

---

---

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

---

---

**OAK GROVE SCHOOL DISTRICT**

**SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2018**

---

**FINANCIAL STATEMENTS**

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

**FEDERAL AWARDS**

Internal control over major federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516 (a) of the Uniform Guidance	
Identification of major federal programs:	<u>No</u>

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>10.555</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

**STATE AWARDS**

Type of auditor's report issued on compliance for all applicable programs:	<u>Unmodified</u>
--	-------------------

**OAK GROVE SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018**

---

None reported.

**OAK GROVE SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

---

None reported.

**OAK GROVE SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

---

None reported.



**OAK GROVE SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018**

---

There were no audit findings reported in the prior year's schedule of financial statement findings.