OAK GROVE SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

JUNE 30, 2017

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OAK GROVE SCHOOL DISTRICT

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FINANCIAL SECTION

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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 (District) as of and for the year ended June 30, 2017, 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 *2016-2017 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.

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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 District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, such as management's discussion and analysis on pages, General Fund and Cafeteria Fund budgetary comparison schedules, schedule of other postemployment benefits funding progress, schedule of the District's proportionate share of net pension liability, and the schedule of District 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 to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, as listed in the table of contents, such as the combining and individual nonmajor 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the 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 the District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
November 1, 2017

DISTRICT PROFILE

The Oak Grove School 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 Oak Grove School District (District) and its business-type activities using the integrated approach as prescribed by generally accepted accounting standards.

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 *Governmental Activities* are prepared using the economic resource measurement focus and the accrual basis of accounting while governmental funds uses the current resource measure and the modified accrual basis of accounting.

The *Business-type Activities* are prepared using the economic resources measurement focus and the accrual basis of accounting.

The *fiduciary activities* are agency funds, which only report an assets and liabilities, and do not have a measurement focus.

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

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

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

FINANCIAL HIGHLIGHTS

2016-2017 Operations:

- Local Control Funding Formula (LCFF) entitlement, based on student enrollment, accounts for 81% of the District's General Fund revenues. In year four of LCFF implementation, LCFF phase-in entitlement for 2016-17 is approximately 96.5% of the entitlement target. LCFF Entitlement per average daily attendance is $8,388.
- Supplemental Grant is per Unduplicated Count of 53.51% of total district enrollment, average rate for fiscal years 2014-15 through 2016-17. Supplemental services must be provided at a rate of $737 per ADA, leaving $7,651 per ADA available for general purpose instruction and operations.
- The District's deficit net position at June 30, 2017 is ($33.71) million, reflecting a decrease of $2.52 million thousand from June 30, 2016.
- Total enrollment continued to decrease from 10,632 in 2016 to 10,362 in 2017, a reduction of 270 students. However, LCFF funding calculation for 2016-17 is based on the higher enrollment and attendance of 2015-16.
- Other general fund state revenues is $9.37 million for 2016-2017, reflecting a decrease of $3.66 million from 2015-16. The decrease is mainly because of $3.36 million decrease in Mandated Cost Reimbursement fund from the State.
- In compliance with GASB Statement No. 68, *Accounting and Financial Reporting for Pension*, the District also recognized $4,193,955 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 $0.73 million.
- The District was awarded with local grants as in the prior year, Heising-Simons Foundation Grant, Sobrato Family Foundation Grant, and Cotsen Grant, for a combined total of $399 thousand for the teacher mentoring and family engagement program. Additionally, the District received $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 issued 2016 Series B Refunding Bond in the amount of $19.15 million.
- The District has hoped that voter approval of Parcel Tax Measure EE in November, 2016 would generate additional $3.1 million annually for the next nine years. Unfortunately, Measure EE was not successful and the Board approved budget reductions of approximately $3.9 million for 2017-18 per recommendations from the District's Budget Advisory Committee.
- In response to projected enrollment decline, the Board commences a School Consolidation Committee in 2017-18 to identify schools for closure.

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 above the required 3% for 2016-2017.

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.

Construction Projects:

The District expended approximately $38 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 issued 2016 Series B refunding bonds in the amount of $19.15 million. The District's outstanding debt on the GO Bonds is approximately $206.3 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Government-wide Financial Statements

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, deferred outflows of resources, liabilities and deferred inflows of resources of the District using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All current year 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 from the prior year. Net position is the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources, and represents one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* 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 District's mission 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 important components in the evaluation.

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

Governmental Activities - This includes the education of kindergarten through grade eight students 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 cover the costs of child care services it provides. This child care program is included here.

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 money that it receives from the federal government.

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 Activities.* 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.

Fiduciary funds - These are used to account for funds held on behalf of others like our funds for associated student body activities. The District's fiduciary activities are reported in separate *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.

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

Net Position

The District's governmental activities' net position was ($34.95) million for the fiscal year ended June 30, 2017. 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 government and business type activities.

Table 1 – Comparison of Net Position – Governmental Activities

(Amounts in millions)	Statement of Net Position 2016-17	Statement of Net Position 2015-16	Change Amount	Percentage of Change
ASSETS				
Current and other assets	$ 92.07	$ 127.44	$ (35.37)	-28%
Capital assets	207.66	174.75	32.91	19%
TOTAL ASSETS	299.73	302.19	(2.46)	-1%
DEFERRED OUTFLOWS OF RESOURCES	28.47	11.66	16.81	144%
LIABILITIES				
Current liabilities	18.27	15.31	2.96	19%
Long-term liabilities	341.80	322.45	19.35	6%
TOTAL LIABILITIES	360.07	337.76	22.31	7%
DEFERRED INFLOWS OF RESOURCES	3.06	8.28	(5.22)	-63%
NET POSITION				
Net investment in capital assets	14.47	13.20	1.27	10%
Restricted	17.87	16.13	1.74	11%
Unrestricted	(67.29)	(61.51)	(5.78)	9%
TOTAL NET POSITION	$ (34.95)	$ (32.18)	$ (2.77)	9%

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 2015-16 and 2016-17 are in the instructional and related categories. These expenses increased $5.98 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 2016-17	Statement of Activities 2015-16	Change Amount	Percentage of Change
REVENUES				
Program revenues:				
Charges for services and sales	$ 1.01	$ 1.04	$ (0.03)	-3%
Operating grants and contributions	13.63	14.36	(0.73)	-5%
General revenues	121.13	116.81	4.32	4%
TOTAL REVENUES	135.77	132.21	3.56	3%
EXPENSES				
Instruction and related instruction	88.92	82.94	5.98	7%
Student support services	14.46	13.43	1.03	8%
Administration	10.10	9.64	0.46	5%
Maintenance and operations	9.46	9.92	(0.46)	-5%
Other	15.59	16.05	(0.46)	-3%
TOTAL EXPENSE	138.53	131.98	6.55	5%
Excess (deficit)	$ (2.76)	$ 0.23	$ (2.99)	-1300%

Governmental Activities

As reported in the Statement of Activities, the cost of all governmental activities and business type activities this year was $139.7 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 2016-17 and 2015-16 is 4%. Approximately 62% of the District's General fund resources are spent on direct instruction.

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

(Amounts in millions)	Total Cost of Services 2016-17	2015-16	Change Amount	Percentage of Change
Instruction	$ 70.93	$ 67.78	$ 3.15	5%
Other related instruction	5.61	5.97	(0.36)	-6%
School administration	6.41	6.07	0.34	6%
Student support services	5.60	5.32	0.28	5%
Pupil transportation	3.89	3.51	0.38	11%
Administration	7.39	6.88	0.51	7%
Maintenance and operations	8.83	9.22	(0.39)	-4%
Other	6.53	6.37	0.16	3%
TOTAL	$ 115.19	$ 111.12	$ 4.07	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)	Expenditures by Object Code 2016-17	2015-16	Change Amount	Percentage of Change
Certificated salaries	$ 50.60	$ 49.11	$ 1.49	3%
Classified salaries	16.23	15.73	0.50	3%
Employee benefits	26.46	24.26	2.20	9%
Books and supplies	2.02	2.40	(0.38)	-16%
Services and operating expenses	13.31	13.06	0.25	2%
Other	6.57	6.56	0.01	0%
TOTAL	$ 115.19	$ 111.12	$ 4.07	4%

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

At the end of the District's fiscal year, the general fund balance was $9.77 million. Of the $9.77 million, $0.43 million was non-spendable and $3.95 million was restricted. The fund balance decreased by $2.81 million from the prior year amount of $12.58 million. The decrease was due to a combination of decrease in one-time discretionary funds and grants and from 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 $8,388. Supplemental services must be provided at a rate of $737 per ADA, and net unrestricted LCFF funding is $7,651 per ADA.
- Total enrollment continued to decrease from 10,632 in 2015 to 10,362 in 2016, a reduction of 270 students. However, LCFF funding calculation for 2016-17 is based on the higher of enrollment and attendance of 2015-16.
- One-time discretionary fund allocation of $211 per ADA. Total allocation for OGSD is budgeted at $2.2 million.

Expenditures:

- 2016-17 collective bargaining with all units was settled for a total of $2.6 million.
- Increased in costs to Special Education Non Public School placements and County Special Education program.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2017, the District had $207.66 million in a broad range of capital assets, including land, buildings, furniture and equipment. The $32.91 million increase in capital assets is due to additions of building improvements funded from proceed of general obligation bonds.

Table 5 – Capital Assets (net of depreciation)

	Governmental Activities		Change	Percentage of
(Amounts in millions)	**2016-17**	**2015-16**	**Amount**	**Change**
Land	$ 3.52	$ 3.52	$ -	0%
Construction in progress	5.21	18.32	(13.11)	-72%
Building and improvements	195.74	149.40	46.34	31%
Furniture and equipment	3.19	3.51	(0.32)	-9%
TOTAL	$ 207.66	$ 174.75	$ 32.91	19%

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. Due to declining property values during the recent recession, the District has been unable to access the remaining unissued $68.3 million of Measure S. In November 2014, the voters approved Measure P authorizing the issuance of $89.8 million in general obligation bonds for the modernization of District facilities and purchases of classroom technology ($6.0 million set aside). These funds will allow the District to continue the successful capital improvement program.

Major facility projects completed in 2016-17 at total costs of $36.6 million, including administrative expenses and legal fees, were:

- Roof and HVAC (heating and cooling system) replacements at Oak Ridge Elementary, Parkview Elementary, and Herman Intermediate Schools;
- Parking lot and streetscape modernization at Herman Intermediate School, fence replacements at various sites, and electronic marquees at all schools.

Measure P Bonds Series B, issued in 2015-16, provides net total $5.7 million for classroom technology. This series of bonds mature five years from issuance date. Technology expenditures of $293 thousand from bond fund in 2016-17 were for new switches/routers for classrooms and Chromebooks for students.

Facility modernization projects planned for 2017-18 include roof and HVAC replacements and parking lot and streetscape modernizations at additional school sites.

Long-Term Debt

The District has long-term obligations other than pensions totaling $247.93 million as of June 30, 2017. 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 2016-17	Governmental Activities 2015-16	Change Amount	Percentage of Change
General obligation bonds	$ 221.10	$ 222.10	$ (1.00)	0%
Capital lease obligations	13.00	13.56	(0.56)	-4%
Compensated absences	0.89	0.78	0.11	14%
Net pension liability	104.33	84.90	19.43	23%
Net OPEB obligation	12.94	11.03	1.91	17%
State Allocation Board penalty	-	0.11	(0.11)	-100%
TOTAL	$ 352.26	$ 332.48	$ 19.78	6%

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 funding was restored to school districts, OGSD has restored many positions that were eliminated during the recession. In addition, the District gave a total of 15% in ongoing salary increases from 2014-15 through 2016-17 and a total of 3.5% in one-time salary increases.

The District is projected to be at 97.5% of entitlement target in 2017-18. As the gap between Phase-In Entitlement and Entitlement Target narrows, revenue dollar increases will be less each year. Although LCFF revenues is projected to increase each year until Entitlement Target is reached, the District is required to set aside increasing amounts to provide supplemental services for the students generating the Supplemental dollars. In effect, the annual increase in LCFF revenues is not entirely unrestricted.

The trend in enrollment decline is posing a significant challenge for the District. Since 2012, we have lost a total of 1,010 students. Over the next three years, we are projected to lose additional 511 students. Most of this decline is attributed to a decrease of students entering our system in Kindergarten. The cumulative loss in revenue over the next three years is projected at $11.5 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 way we are funded by the state. We expanded the Attendance Recovery Program last year, generating a net revenue of $51 thousand dollars. We will continue the implementation of this program throughout the District in 2017-18 to allow the District the opportunity to recover funding for absences occurring during the school year.

ECONOMIC FACTORS AND BUDGET ASSUMPTIONS

Based on the demographer's study, the District's enrollment for fiscal year 2017-18 is projected at 10,207, a decrease of 155 from 2016-17. 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.

The District's 2017-18 budget was based on the Governor's proposed May budget released on May 11, 2017. 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:

- Cost of Living Adjustment (COLA) at 1.56%, changed from 1.48% 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.

While State funding has improved since implementation of LCFF, the District still only received 97.5% of its entitlement. 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:

- The District's activities and budget will continue to be guided by the Board approved Five Year Plan.
- 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.

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. Although certain Board approved expenditure reductions are included in the 2017-18 Budget, not all recommendations made by the Budget Advisory Committee, as presented on April 13, 2017, have been approved for implementation. Below is a summary of the BAC's recommendations to mitigate spending deficit and meet minimum required reserves.

Budget type	No. of Items	Total Possible Savings
Expenditure reduction options	37	$ 7,212,093
Collective bargainning options	6	3,225,638
Revenue enhancement options	15	3,934,556
Total budget impact	58	$ 14,372,287

The following guidelines to the Budget Advisory Committee remain valid:

- A balanced budget is a district-wide responsibility.
- Student achievement is the highest priority.
- Minimize impact to students and instruction.
- Preserve essential positions, and provide competitive compensation to hire and retain highly qualified employees.

One expenditure reduction option is school consolidation, which has been approved by the Board. A Board Committee will convene in fall 2017 to study and determine best decision for the District as a whole. In addition, 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:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 76,216,164	$ 12,284,078	$ 1,859,206	$ 7,410,961
CalPERS	28,109,165	8,414,367	1,204,689	3,643,723
Total	$ 104,325,329	$ 20,698,445	$ 3,063,895	$ 11,054,684

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, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Deposits and investments	$ 88,888,084	$ 1,371,813	$ 90,259,897
Receivables	2,660,816	13,122	2,673,938
Internal balances	111,380	(111,380)	-
Prepaid items	359,351	-	359,351
Stores inventories	51,546	-	51,546
Capital assets not depreciated	8,735,556	-	8,735,556
Depreciable capital assets, net of accumulated depreciation	198,920,356	-	198,920,356
Total Assets	299,727,089	1,273,555	301,000,644
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	7,767,258	-	7,767,258
Deferred outflows of resources related to pensions	20,698,445	-	20,698,445
Total Deferred Outflows of Resources	28,465,703	-	28,465,703
LIABILITIES			
Accounts payable	4,438,584	16,761	4,455,345
Interest payable	2,954,560	-	2,954,560
Unearned revenue	426,562	17,970	444,532
Current portion of long-term obligations other than pensions	10,451,838	-	10,451,838
Noncurrent portion of long-term obligations other than pensions	237,477,977	-	237,477,977
Aggregate net pension liability	104,325,329	-	104,325,329
Total Liabilities	360,074,850	34,731	360,109,581
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	3,063,895	-	3,063,895
Total Deferred Inflows of Resources	3,063,895	-	3,063,895
NET POSITION			
Net investment in capital assets	14,469,685	-	14,469,685
Restricted for:			
Educational programs	3,947,655	-	3,947,655
Debt service	12,469,818	-	12,469,818
Food service programs	11,430	-	11,430
Capital projects	349,693	-	349,693
Insurance programs	1,096,027	-	1,096,027
Unrestricted	(67,290,261)	1,238,824	(66,051,437)
Total Net Position	$ (34,945,953)	$ 1,238,824	$ (33,707,129)

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

OAK GROVE SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

		Program Revenues	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction	$ 76,030,207	$ -	$ 7,226,109
Instruction-related activities:			
Supervision of instruction	5,600,254	-	1,252,169
Instructional library, media, and technology	413,095	-	34,255
School site administration	6,873,036	-	252,662
Pupil services:			
Home-to-school transportation	4,167,140	-	11,887
Food services	4,297,392	964,962	2,702,226
All other pupil services	6,000,030	-	1,287,317
General administration:			
Data processing	2,130,849	-	8,859
General administration	7,969,310	47,479	509,327
Plant services	9,456,889	50	1,074
Ancillary services	126,117	-	5,374
Community services	13,018	-	837
County operated programs	5,582,065	-	334,187
Interest on long-term obligations	9,871,765	-	-
Total Governmental Activities	138,531,167	1,012,491	13,626,283
Business-Type Activities			
Child care services	1,218,122	1,451,137	-
Total Primary Government	$ 139,749,289	$ 2,463,628	$ 13,626,283

General revenues:

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

Net Position - Ending

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

Net (Expenses) Revenues and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
$ (68,804,098)	$ -	$ (68,804,098)
(4,348,085)	-	(4,348,085)
(378,840)	-	(378,840)
(6,620,374)	-	(6,620,374)
(4,155,253)	-	(4,155,253)
(630,204)	-	(630,204)
(4,712,713)	-	(4,712,713)
(2,121,990)	-	(2,121,990)
(7,412,504)	-	(7,412,504)
(9,455,765)	-	(9,455,765)
(120,743)	-	(120,743)
(12,181)	-	(12,181)
(5,247,878)	-	(5,247,878)
(9,871,765)	-	(9,871,765)
(123,892,393)	-	(123,892,393)
-	233,015	233,015
(123,892,393)	233,015	(123,659,378)
43,818,288	-	43,818,288
14,438,517	-	14,438,517
2,276,999	-	2,276,999
51,153,095	-	51,153,095
459,347	11,389	470,736
8,982,129	-	8,982,129
121,128,375	11,389	121,139,764
(2,764,018)	244,404	(2,519,614)
(32,181,935)	994,420	(31,187,515)
$ (34,945,953)	$ 1,238,824	$ (33,707,129)

OAK GROVE SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017

	General Fund	Cafeteria Fund	Building Fund
ASSETS			
Deposits and investments	$ 13,362,681	$ 38,708	$ 34,808,052
Receivables	1,949,690	474,980	111,548
Due from other funds	866,247	-	1,341,403
Prepaid items	359,125	-	226
Stores inventories	51,546	-	-
Total Assets	$ 16,589,289	$ 513,688	$ 36,261,229
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 3,426,248	$ 88,209	$ 792,683
Due to other funds	3,041,187	343,425	-
Unearned revenue	347,117	70,624	-
Total Liabilities	6,814,552	502,258	792,683
Fund Balances:			
Nonspendable	410,671	-	225
Restricted	3,947,655	11,430	33,145,223
Assigned	565,931	-	2,323,098
Unassigned	4,850,480	-	-
Total Fund Balances	9,774,737	11,430	35,468,546
Total Liabilities and Fund Balances	$ 16,589,289	$ 513,688	$ 36,261,229

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

Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
$ 23,312,262	$ 15,396,814	$ 759,518	$ 87,678,035
69,174	27,104	2,077	2,634,573
1,699,784	-	-	3,907,434
-	-	-	359,351
-	-	-	51,546
$ 25,081,220	$ 15,423,918	$ 761,595	$ 94,630,939
$ -	$ -	$ -	$ 4,307,140
-	-	411,442	3,796,054
-	-	-	417,741
-	-	411,442	8,520,935
-	-	-	410,896
-	15,423,918	350,153	52,528,226
25,081,220	-	-	28,320,402
-	-	-	4,850,480
25,081,220	15,423,918	350,153	86,110,004
$ 25,081,220	$ 15,423,918	$ 761,595	$ 94,630,939

OAK GROVE SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total Fund Balance - Governmental Funds		**$ 86,110,004**
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	$ 263,467,282	
Accumulated depreciation is	(55,811,370)	
Net Capital Assets		207,655,912
In governmental funds, interest on long-term debt is recognized in the period when payment is due. On the government-wide statements, interest on long term debt is recognized when it is incurred in the statement of net position.		(2,954,560)
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.		1,096,027
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.		(86,690,779)
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.		7,767,258
Long-term liabilities at year end consist of:		
Bonds payable and related premiums	221,096,643	
Compensated absences	895,082	
Capital lease payable	13,002,065	
Other post employment benefits	12,936,025	
Total Long-Term Obligations		(247,929,815)
Total Net Position - Governmental Activities		**$ (34,945,953)**

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

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OAK GROVE SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Cafeteria Fund	Building Fund
REVENUES			
Local control funding formula	$ 90,812,156	$ -	$ -
Federal sources	4,117,317	2,655,275	-
Other state sources	9,365,878	177,596	878
Other local sources	8,314,475	1,014,926	828,544
Total Revenues	112,609,826	3,847,797	829,422
EXPENDITURES			
Current			
Instruction	70,933,058	-	-
Instruction-related activities:			
Supervision of instruction	5,224,807	-	-
Instructional library, media and technology	385,401	-	-
School site administration	6,412,260	-	-
Pupil Services:			
Home-to-school transportation	3,887,771	-	-
Food services	529	4,008,762	-
All other pupil services	5,597,782	-	-
General administration:			
Data processing	1,987,995	-	-
General administration	5,398,760	197,241	-
Plant services	8,691,249	191	-
Ancillary services	117,662	-	-
Community services	12,146	-	-
County operated programs	5,582,065	-	-
Capital outlay	5,846	-	36,858,621
Debt service			
Principal	565,914	-	-
Interest and other	381,960	-	-
Total Expenditures	115,185,205	4,206,194	36,858,621
Excess (Deficiency) of Revenues Over Expenditures	(2,575,379)	(358,397)	(36,029,199)
Other Financing Sources (Uses):			
Transfers in	70,980	304,106	-
Other sources	-	-	14,415
Transfers out	(304,106)	-	-
Net Financing Sources (Uses)	(233,126)	304,106	14,415
NET CHANGE IN FUND BALANCES	(2,808,505)	(54,291)	(36,014,784)
Fund Balance - Beginning	12,583,242	65,721	71,483,330
Fund Balance - Ending	$ 9,774,737	$ 11,430	$ 35,468,546

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

Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
$ -	$ -	$ -	$ 90,812,156
-	80,691	-	6,853,283
934,119	95,729	-	10,574,200
1,028,670	14,419,250	150,442	25,756,307
1,962,789	14,595,670	150,442	133,995,946
-	-	-	70,933,058
-	-	-	5,224,807
-	-	-	385,401
-	-	-	6,412,260
-	-	-	3,887,771
-	-	-	4,009,291
-	-	-	5,597,782
-	-	-	1,987,995
-	-	13,734	5,609,735
-	-	-	8,691,440
-	-	-	117,662
-	-	-	12,146
-	-	-	5,582,065
960,075	-	407,278	38,231,820
108,959	7,684,680	-	8,359,553
445	6,169,081	-	6,551,486
1,069,479	13,853,761	421,012	171,594,272
893,310	741,909	(270,570)	(37,598,326)
-	-	-	375,086
-	-	-	14,415
(70,980)	-	-	(375,086)
(70,980)	-	-	14,415
822,330	741,909	(270,570)	(37,583,911)
24,258,890	14,682,009	620,723	123,693,915
$ 25,081,220	$ 15,423,918	$ 350,153	$ 86,110,004

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, 2017

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Total Net Change in Fund Balances - Governmental Funds		**$ (37,583,911)**
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	$ 38,090,925	
Depreciation expense	(5,188,910)	
Net expense adjustment		32,902,015
Proceeds received from issuance of bonds 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.		(19,150,000)
Premium received from issuance of bonds 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.		(2,313,846)
Amorization of deferred finance charge reduces expenses on the statement of activities but is not recorded on the governmental funds.		866,328
Deferred refunding charge is reported as an expenditure in the governmental funds, but is deferred on the statement of net position.		5,226,300
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.		(2,516,014)
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.		23,921,604

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

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, 2017

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.	560,086
Payment of loan principal from State Allocation Board 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.	109,401
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.	(605,865)
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.	(116,204)
Payments of the retiree benefits are recorded as an expenditure in the governmental funds. However, the difference between the annual required contributions and the actual benefit payment made, is recorded as an additional expense in the statement of activities. The actual amount of the contribution was less than the annual required contributions.	(1,904,888)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.	(2,456,768)
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.	297,744
Change in Net Position of Governmental Activities	**$ (2,764,018)**

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

OAK GROVE SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF FUND NET POSITION
JUNE 30, 2017

	Child Care Enterprise Fund	Governmental Activities Self-Insurance Internal Service Fund
ASSETS		
Current Assets		
Deposits and investments	$ 1,371,813	$ 1,210,049
Receivables	13,122	26,243
Total Current Assets	1,384,935	1,236,292
LIABILITIES		
Current Liabilities		
Accounts payable	16,761	131,444
Due to other funds	111,380	-
Unearned revenue	17,970	8,821
Total Current Liabilities	146,111	140,265
NET POSITION		
Restricted for insurance programs	-	1,096,027
Unrestricted	1,238,824	-
Total Net Position	$ 1,238,824	$ 1,096,027

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, 2017

	Child Care Enterprise Fund	Governmental Activities Self-Insurance Internal Service Fund
OPERATING REVENUES		
Fees charged to users or other funds	$ 1,445,940	$ 2,211,861
Other revenues	5,197	-
Total operating revenue	1,451,137	2,211,861
OPERATING EXPENSES		
Payroll costs	1,003,613	-
Supplies and materials	64,028	-
Insurance and other expenses	150,481	1,921,620
Total operating expenses	1,218,122	1,921,620
Operating Income	233,015	290,241
NONOPERATING REVENUES		
Interest income	11,389	7,503
Change in Net Position	244,404	297,744
Total Net Position - Beginning	994,420	798,283
Total Net Position - Ending	$ 1,238,824	$ 1,096,027

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, 2017

	Child Care Enterprise Fund	Governmental Activities Self-Insurance Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from user charges	$ 1,447,822	$ 2,211,112
Cash payments to employees for services	(1,003,613)	-
Cash payments for insurance claims	-	(1,923,978)
Cash payments to suppliers for goods and services	(125,210)	-
Net Cash Provided by Operating Activities	318,999	287,134
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	11,389	7,503
Net Increase in Cash and Cash Equivalents	330,388	294,637
Cash and Cash Equivalents - Beginning	1,041,425	915,412
Cash and Cash Equivalents - Ending	$ 1,371,813	$ 1,210,049
RECONCILIATION OF OPERATING INCOME NET CASH TO PROVIDED BY OPERATING ACTIVITITES		
Operating income	$ 233,015	$ 290,241
Changes in assets and liabilities:		
Receivables	(11,043)	(798)
Prepaid items	180	-
Accrued liabilities	(3,779)	(2,358)
Unearned revenue	(3,315)	49
Due to other fund	103,941	-
Net Cash Provided by Operating Activities	$ 318,999	$ 287,134

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

OAK GROVE SCHOOL DISTRICT

FIDUCIARY FUND
STATEMENT OF ASSETS AND LIABILITIES
JUNE 30, 2017

	Agency Fund
ASSETS	
Deposits and investments	$ 99,219
Receivables	293
Total Assets	$ 99,512
LIABILITIES	
Due to student groups	$ 99,512

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

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).

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 restricted, committed, or assigned 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 that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

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

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).

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.

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, 2017, 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.

Prepaid Items

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

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. The District reports deferred outflows of resources for the unamortized loss on the refunding of general obligation bonds and pension related items.

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

Pensions

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

Fund Balances - Governmental Funds

As of June 30, 2017, 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.

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.

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 Principles

GASB Statement No. 75 – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The Statement is effective for the periods beginning June 15, 2017, or the fiscal year 2017-18. The District has not determined the effect of this pronouncement.

GASB Statement No. 81 – In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2016, or the 2017-18 fiscal year. The District has not determined the effect of this pronouncement.

GASB Statement No. 83 – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, or the 2018-19 fiscal year. The District has not determined the effect of this pronouncement.

GASB Statement No. 84 – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, or the 2019-20 fiscal year. The District has not determined the effect of this pronouncement.

GASB Statement No. 85 – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The Statement is effective for the reporting periods beginning after June 15, 2017, or 2017-18 fiscal year. The District has not determined the effect of this pronouncement.

GASB Statement No. 86 – In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The Statement is effective for the reporting periods beginning after June 15, 2017, or 2017-18 fiscal year. The District has not determined the effect of this pronouncement.

GASB Statement No. 87 – In June 2017, GASB issued Statement No. 87, *Leases*. The Statement is effective for the reporting periods beginning after December 15, 2019, or 2020-21 fiscal year. The District has not determined the effect of this pronouncement

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

Governmental funds	$ 87,678,035
Proprietary funds	2,581,862
Fiduciary fund	99,219
Total Deposits and Investments	$ 90,359,116

Deposits and investments as of June 30, 2017, consist of the following:

Cash on hand and in banks	$ 206,723
Cash in revolving	20,000
Investments in County Treasury	90,132,393
Total Deposits and Investments	$ 90,359,116

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 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:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None
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, 2017 approximate cost, and the weighted average maturity of the pool was 528 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, 2017.

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.

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, 2017, 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, 2017, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Cafeteria Fund	Building Fund	Special Reserve Capital Outlay Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Funds
Federal Government:								
Categorical aid	$ 383,005	$ 449,820	$ -	$ -	$ -	$ -	$ 832,825	$ -
State Government:								
Categorical aid	240,903	24,994	-	-	-	-	265,897	-
Lottery	976,385	-	-	-	-	-	976,385	-
Interest	26,978	166	111,548	69,174	27,104	2,077	237,047	6,097
Local Sources	322,419	-	-	-	-	-	322,419	33,268
Total	$ 1,949,690	$ 474,980	$ 111,548	$ 69,174	$ 27,104	$ 2,077	$ 2,634,573	$ 39,365

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 3,521,000	$ -	$ -	$ 3,521,000
Construction in progress	18,316,282	5,176,997	18,278,723	5,214,556
Total Capital Assets Not Being Depreciated	21,837,282	5,176,997	18,278,723	8,735,556
Capital Assets Being Depreciated:				
Buildings and improvements	192,287,887	50,788,469	-	243,076,356
Furniture and equipment	11,251,188	404,182	-	11,655,370
Total Capital Assets Being Depreciated	203,539,075	51,192,651	-	254,731,726
Total Capital Assets	225,376,357	56,369,648	18,278,723	263,467,282
Less Accumulated Depreciation:				
Buildings and improvements	42,885,733	4,446,414	-	47,332,147
Furniture and equipment	7,736,727	742,496	-	8,479,223
Total Accumulated Depreciation	50,622,460	5,188,910	-	55,811,370
Governmental Activities Capital Assets, Net	$ 174,753,897	$ 51,180,738	$ 18,278,723	$ 207,655,912

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

Governmental Activities	
Instruction	$ 3,172,729
Supervision of instruction	233,698
Instructional library, media, and technology	17,238
School site administration	286,811
Pupil transportation	173,894
Food services	179,329
Other pupil services	250,380
Ancillary services	5,263
Community services	542
Other general administration	391,351
Data processing services	88,920
Plant maintenance and operations	388,755
Total Depreciation Expense Governmental Activities	$ 5,188,910

NOTE 5 - PREPAID ITEMS

Prepaid items at June 30, 2017, consist of insurance premiums and other prepaid items paid to various vendors totaling $359,351 in the governmental funds.

NOTE 6 - INTERFUND TRANSACTION

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2017, between major and non-major governmental funds, and internal service funds are as follows:

	Due To			
Due From	General	Building	Special Reserve - Capital Outlay	Total
General	$ -	$ 1,341,403	$ 1,699,784	$ 3,041,187
Cafeteria	343,425	-	-	343,425
Capital Facilities	411,442	-	-	411,442
Child Care Enterprise	111,380	-	-	111,380
	$ 866,247	$ 1,341,403	$ 1,699,784	$ 3,907,434

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, 2017, consisted of the following:

	Transfers In		
Transfer Out	General	Cafeteria	Total
General	$ -	$ 304,106	$ 304,106
Special Reserve - Capital Outlay	70,980	-	70,980
	$ 70,980	$ 304,106	$ 375,086

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consisted of the following:

	General Fund	Cafeteria Fund	Building Fund	Total Governmental Funds	Proprietary Funds
Vendor payables	$ 1,214,231	$ 73,663	$ 792,683	$ 2,080,577	$ 131,475
State apportionment	1,985,824	-	-	1,985,824	-
Salaries and benefits	226,193	14,546	-	240,739	16,730
Total	$ 3,426,248	$ 88,209	$ 792,683	$ 4,307,140	$ 148,205

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2017, consists of the following:

	General Fund	Cafeteria Fund	Total Governmental Funds	Proprietary Funds
Federal financial assistance	$ 95,300	$ -	$ 95,300	$ -
State categorical aid	-	70,624	70,624	-
Other local	251,817	-	251,817	26,791
Total	$ 347,117	$ 70,624	$ 417,741	$ 26,791

NOTE 9 - LONG-TERM OBLIGATIONS OTHER THAN PENSION

Summary

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

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017	Due in One Year
General obligation bonds	$ 208,554,580	$ 21,666,014	$ 23,921,604	$ 206,298,990	$ 9,797,416
Premium on bonds	13,542,527	2,313,846	1,058,720	14,797,653	-
Total general obligation bonds	222,097,107	23,979,860	24,980,324	221,096,643	9,797,416
Compensated absences	778,878	232,408	116,204	895,082	110,000
Capital leases	13,562,151	-	560,086	13,002,065	544,422
Net OPEB obligation	11,031,137	1,904,888	-	12,936,025	-
State Allocation Board Penalty	109,401	-	109,401	-	-
	$ 247,578,674	$ 26,117,156	$ 25,766,015	$ 247,929,815	$ 10,451,838

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Deferred amount on refunding	$ 2,733,350	$ 5,226,300	$ 192,392	$ 7,767,258

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 OPEB liabilities will be paid by the General Fund. The State Allocation Board penalty will be paid by the Special Reserve Capital Outlay Fund.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2016	Issued	Accreted	Redeemed	Bonds Outstanding June 30, 2017
2008	8/1/2033	5.50%	$ 10,000,000	$ 2,195,000	$ -	$ -	$ -	$ 2,195,000
2008	8/1/2033	4.45-6.83%	19,999,923	31,200,220	-	1,813,998	-	33,014,218
2008	8/1/2024	3.50-5.25%	8,390,000	4,350,000	-	-	3,167,555	1,182,445
2011	8/1/2035	2.72-6.97%	18,249,429	25,159,360	-	702,016	560,000	25,301,376
2011	8/1/2024	5.36%	1,750,000	1,750,000	-	-	13,404,049	(11,654,049)
2011	8/1/2025	1.25-4.00%	17,305,000	12,475,000	-	-	-	12,475,000
2013	8/1/2024	2.00-5.00%	8,400,000	7,560,000	-	-	1,745,000	5,815,000
2014	8/1/2044	4.00-5.00%	57,575,000	57,575,000	-	-	25,000	57,550,000
2014	8/1/2019	2.00-5.00%	6,025,000	6,025,000	-	-	-	6,025,000
2015	8/1/2024	2.00-5.00%	15,415,000	15,415,000	-	-	3,150,000	12,265,000
2008	8/1/2023	2.00-4.00%	6,650,000	6,650,000	-	-	1,620,000	5,030,000
2014	8/1/2045	2.00-4.00%	26,200,000	26,200,000	-	-	-	26,200,000
2016	8/1/2033	2.00-5.00%	12,000,000	12,000,000	-	-	250,000	11,750,000
2016	8/1/2041	1.50-4.00%	19,150,000	-	19,150,000	-	-	19,150,000
			$ 227,109,352	$ 208,554,580	$ 19,150,000	$ 2,516,014	$ 23,921,604	206,298,990
							Unamortized premium	14,797,653
							Total	$ 221,096,643

Debt Service Requirements to Maturity

The bonds mature through 2046 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2018	$ 9,797,416	$ 6,792,223	$ 16,589,639
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
2023-2027	31,608,622	25,408,331	57,016,953
2028-2032	20,241,574	30,796,712	51,038,286
2033-2037	32,254,704	25,515,595	57,770,299
2038-2042	36,910,000	5,069,217	41,979,217
2043-2046	27,945,000	1,449,300	29,394,300
Subtotal	191,080,648	$ 122,319,628	$ 313,400,276
Accretion to date	15,218,342		
Total bonds outstanding	$ 206,298,990		

Advance Refunding

In July 2016, the District issued $19,150,000 in General Obligation Bonds with an interest rate ranging from 1.50 percent to four percent to advance refund $1,982,879 of outstanding Election of 2008 General Obligation Bonds, Series A with interest rate ranging from 4.45 percent to 6.83 percent, and $8,846,145 of outstanding Election of 2008 General Obligation Bonds, Series B-1 with interest rate ranging from 2.72 percent to 6.97 percent. The net proceeds of $21,197,904 (after payment of $265,942 costs of issuance) were used to purchase certain U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent, U.S. Bank National Association, to provide for partial of the future debt service payments on the refunded bonds. As a result, the 2008 Series A bonds and the 2008 Series B-1 bonds are considered to be partially defeased and the liability for the refunded portion of those bonds has been removed from the general long-term debt account group.

The District advance refunded part of the 2008 Series A bonds and part of the 2008 Series B-1 bonds to reduce its total debt service payments over the next 25 years by $40.71 million and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $13.16 million.

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	Buses, Vans and Trucks	Network Equipment	Total
Balance, July 1, 2016	$ 16,781,768	$ 56,558	$ 31,028	$ 16,869,354
Payments	851,959	56,558	31,028	939,545
Balance, June 30, 2017	$ 15,929,809	$ -	$ -	$ 15,929,809

The capital leases have minimum lease payments as follows:

Fiscal Year	Lease Payment
2018	$ 908,380
2019	966,660
2020	1,000,778
2021	1,036,100
2022	1,072,666
2023-2027	5,958,556
2028-2030	4,986,669
Subtotal	15,929,809
Less: amount representing	(2,927,744)
Minimum Payment	$ 13,002,065

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Cafeteria Fund	Bond Interest and Redemption	Building Fund	Special Reserve Capital Fund	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable							
Stores inventories	$ 51,546	$ -	$ -	$ -	$ -	$ -	$ 51,546
Prepaid expenditures	359,125	-	-	225	-	-	359,350
Total Nonspendable	410,671	-	-	225	-	-	410,896
Restricted							
Educational programs	3,947,655	-	-	-	-	-	3,947,655
Food services	-	11,430	-	-	-	-	11,430
Capital projects	-	-	-	33,145,223	-	349,693	33,494,916
Debt service	-	-	15,423,918	-	-	460	15,424,378
Total Restricted	3,947,655	11,430	15,423,918	33,145,223	-	350,153	52,878,379
Assigned							
Capital projects	-	-	-	2,323,098	25,081,220	-	27,404,318
Site Budget Carryover	24,140	-	-	-	-	-	24,140
Early Retirement Program	541,791	-	-	-	-	-	541,791
Total Assigned	565,931	-	-	2,323,098	25,081,220	-	27,970,249
Unassigned							
Reserve for economic uncertainties	3,464,679	-	-	-	-	-	3,464,679
Remaining unassigned	1,385,801	-	-	-	-	-	1,385,801
Total Unassigned	4,850,480	-	-	-	-	-	4,850,480
Total	$ 9,774,737	$ 11,430	$ 15,423,918	$ 35,468,546	$ 25,081,220	$ 350,153	$ 86,110,004

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:

Fiscal Year	Lease Revenue
2018	$ 1,762,077
2019	1,541,439
2020	1,420,121
2021	1,420,121
2022	1,379,618
2023-2027	4,629,864
2028-2030	1,894,981
Total	$ 14,048,221

NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the District. The Plan provides medical, dental, vision and life insurance benefits to eligible retirees and their spouses. 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, medical, dental, vision and life insurance. The plan makes payments for five years or until age 65, whichever comes first.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District and the District's bargaining units and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2016-2017, the District contributed $728,207 to the plan, all of which was used for current premiums. 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, medical, dental, vision and life insurance. The plan makes payments for five years or until age 65, whichever comes first.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution	$ 2,840,281
Interest on net OPEB obligation	445,980
Adjustment to annual required contribution	(653,166)
Annual OPEB cost (expense)	2,633,095
Contributions made	(728,207)
Increase in net OPEB obligation	1,904,888
Net OPEB obligation, beginning of year	11,031,137
Net OPEB obligation, end of year	$ 12,936,025

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Fiscal Year	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2017	$ 2,633,095	$ 728,207	28%	$ 12,936,025
2016	3,360,066	1,001,937	30%	11,031,137
2015	3,173,537	1,016,261	30%	8,673,008

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2016	$ -	$ 19,777,329	$ 19,777,329	0%	$ 67,173,441	29.44%

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

Actuarial Methods and Assumptions

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

In the July 1, 2016, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses), based on the long-term rate of earnings that the District expects to earn on its investments. Healthcare cost trend rates ranged from an initial 8.5 percent to an ultimate rate of 6.0 percent. The inflation rate used was 4 percent. The UAAL is being amortized at a level dollar method on a closed basis. The remaining amortization period at July 1, 2016, was 22 years.

NOTE 13 - 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, 2017, 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.

Workers' Compensation

For fiscal year 2017, 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.

Insurance Program Company Name	Type of Coverage	Limits
Workers' Compensation Program		
Santa Clara County School's Insurance Group	Workers' Compensation	$ 1,000,000
Property and Liability Program		
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

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, 2015 to June 30, 2017:

Liability Balance, June 30, 2015	$ 113,628
Claims and changes in estimates	1,984,037
Claims payments	(1,963,863)
Liability Balance, June 30, 2016	133,802
Claims and changes in estimates	1,919,262
Claims payments	(1,921,620)
Liability Balance, June 30, 2017	$ 131,444
Assets available for insurance claims	$ 1,227,471

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 14 - 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, 2017, 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:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	$ 76,216,164	$ 12,284,078	$ 1,859,206	$ 7,410,961
CalPERS	28,109,165	8,414,367	1,204,689	3,643,723
Total	$ 104,325,329	$ 20,698,445	$ 3,063,895	$ 11,054,684

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, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:
http://www.calstrs.com/member-publications.

Benefits Provided

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

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

The District 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, 2017, 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 precentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.21%
Required employer contribution rate	12.58%	12.58%
Required state contribution rate	8.828%	8.828%

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, 2017, are presented above and the District's total contributions were $6,074,428.

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

At June 30, 2017, 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	$	76,216,164
State's proportionate share of the net pension liability associated with the District		43,388,503
Total net pension liability, including State share	$	119,604,667

The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015, respectively was 0.094232 percent and 0.094226 percent, resulting in a net increase in the proportionate share of 0.00001 percent.

For the year ended June 30, 2017, the District recognized pension expense of $7,410,961. In addition, the District recognized pension expense and revenue of $4,193,955 for support provided by the State. June 30, 2017, 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	$ 6,074,028	$ -
Differences between projected and actual earnings on plan investments	6,059,148	-
Differences between expected and actual experience	-	(1,859,206)
Change in proportions	150,902	-
Total	$ 12,284,078	$ (1,859,206)

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 remaining deferred outflows/(inflows) of resources are amortized as follows:

Fiscal Year	Deferred Outflows/(Inflows) Amortization
2018	$ (177,084)
2019	(177,084)
2020	3,212,930
2021	1,963,290
2022	(309,273)
2023	(161,935)
Total	$ 4,350,844

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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

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

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

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	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/liquididty	2%	-1.00%
	100%	

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.60%)	$ 109,692,249
Current discount rate (7.60%)	$ 76,216,164
1% increase (8.60%)	$ 48,413,816

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, 2015 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.

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, 2017, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a precentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	6.00%
Required employer contribution rate	13.89%	13.89%

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, 2017, are presented above and the total District contributions were $2,523,888.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $28,109,165. The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015, respectively was 0.14232 percent and 0.14549 percent, resulting in a net decrease in the proportionate share of 0.0032 percent.

For the year ended June 30, 2017, the District recognized pension expense of $3,643,723. At June 30, 2017, 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	$ 2,523,888	$ -
Net change in proportionate share of net pension liability	319,878	(360,176)
Difference between projected and actual earnings on pension plan investments	4,361,638	-
Differences between expected and actual experience in the measurement of the total pension liability	1,208,963	-
Changes of assumptions	-	(844,513)
Total	$ 8,414,367	$ (1,204,689)

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 remaining deferred outflows/(inflows) of resources are amortized as follows:

Fiscal Year	Deferred Outflows/(Inflows) Amortization
2018	$ 770,903
2019	757,173
2020	2,019,364
2021	1,138,350
Total	$ 4,685,790

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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.
In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	51%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and forestland	2%	5.09%
Liquidity	1%	-1.05%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount rate	Net Pension Liability
1% decrease (6.65%)	$ 41,939,031
Current discount rate (7.65%)	$ 28,109,165
1% increase (8.65%)	$ 16,593,080

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, 2017.

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, 2017.

Construction Commitments

As of June 30, 2017, the District had the following commitments with respect to the unfinished capital projects:

Site	Capital Project	Construction Commitment	Expected Date of Completion
Anderson	HVAC/Roof's A&E services, inspection, commissioning	$ 620,698	September 2017
Baldwin	Site Map	529,982	September 2017
Del Roble	HVAC/Roof's A&E services, inspection, commissioning	111,587	September 2017
Edenvale	HVAC/Roof's A&E services, inspection, commissioning	152,872	September 2017
Miner	Frontage's A&E services, inspection	61,019	September 2017
Oak Ridge	HVAC/Roof's A&E services, inspection, commissioning	1,477,274	September 2017
Parkview	HVAC/Roof's A&E services, inspection, commissioning	125,549	September 2017
Sakamoto	HVAC/Roof's A&E services, inspection, commissioning	888,971	September 2017
Taylor	Frontage's A&E services, inspection	708,436	September 2017
Davis	Frontage's A&E services, inspection, portables MOD	170,368	September 2017
Herman	HVAC/Roof's A&E services, Frontage's A&E service	236,498	September 2017
District	Builders risk insurance	46,220	September 2017
	Total	$ 5,129,474	

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, 2017, the District made payments of $1,976,018 to SCCSIG for services rendered.

REQUIRED SUPPLEMENTARY INFORMATION

OAK GROVE SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
REVENUES				
Local Control Funding Formula	$ 90,085,531	$ 90,772,117	$ 90,812,156	$ 40,039
Federal sources	4,068,968	4,672,437	4,117,317	(555,120)
Other state sources	8,370,463	9,975,336	9,365,878	(609,458)
Other local sources	5,625,658	7,392,458	8,314,475	922,017
Total Revenues	108,150,620	112,812,348	112,609,826	(202,522)
EXPENDITURES				
Current				
Certificated salaries	49,074,793	50,853,760	50,595,392	258,368
Classified salaries	16,309,884	16,984,335	16,228,483	755,852
Employee benefits	25,643,571	25,877,531	26,462,251	(584,720)
Books and supplies	2,689,995	4,090,970	2,016,452	2,074,518
Services and operating expenditures	11,774,673	13,323,185	13,308,891	14,294
Other outgo	6,743,438	6,162,920	5,384,825	778,095
Capital outlay	268,333	998,681	241,037	757,644
Debt service - principal	565,914	565,914	565,914	-
Debt service - interest	381,960	381,960	381,960	-
Total Expenditures	113,452,561	119,239,256	115,185,205	4,054,051
Excess (Deficiency) of Revenues Over Expenditures	(5,301,941)	(6,426,908)	(2,575,379)	3,851,529
Other Financing Sources:				
Transfers in	369,943	369,943	70,980	(298,963)
Transfers out	(231,997)	(166,457)	(304,106)	(137,649)
Net Financing Sources	137,946	203,486	(233,126)	(436,612)
NET CHANGE IN FUND BALANCES	(5,163,995)	(6,223,422)	(2,808,505)	3,414,917
Fund Balance - Beginning	12,583,242	12,583,242	12,583,242	-
Fund Balance - Ending	$ 7,419,247	$ 6,359,820	$ 9,774,737	$ 3,414,917

See accompanying note to required supplementary information.

OAK GROVE SCHOOL DISTRICT

CAFETERIA FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
REVENUES				
Federal sources	$ 2,721,363	$ 2,603,610	$ 2,655,275	$ 51,665
Other state sources	197,942	166,290	177,596	11,306
Other local sources	1,127,514	1,100,487	1,014,926	(85,561)
Total Revenues	4,046,819	3,870,387	3,847,797	(22,590)
EXPENDITURES				
Current				
Classified salaries	1,671,814	1,722,040	1,629,904	92,136
Employee benefits	453,641	493,501	469,200	24,301
Books and supplies	48,417	19,167	14,658	4,509
Services and operating expenditures	1,905,217	1,899,657	1,895,192	4,465
Other outgo	199,727	203,486	197,240	6,246
Total Expenditures	4,278,816	4,337,851	4,206,194	131,657
Excess (Deficiency) of Revenues Over Expenditures	(231,997)	(467,464)	(358,397)	109,067
Other Financing Sources:				
Transfers in	231,997	408,877	304,106	(104,771)
Net Financing Sources	231,997	408,877	304,106	(104,771)
NET CHANGE IN FUND BALANCES	-	(58,587)	(54,291)	4,296
Fund Balance - Beginning	65,721	65,721	65,721	-
Fund Balance - Ending	$ 65,721	$ 7,134	$ 11,430	$ 4,296

See accompanying note to required supplementary information.

OAK GROVE SCHOOL DISTRICT

SCHEDULE OF OTHER POSTEMPLOYEMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2016	$ -	$ 19,777,329	$ 19,777,329	0%	$ 67,173,441	29.44%
July 1, 2014	-	24,639,821	24,639,821	0%	58,878,452	41.85%
July 1, 2012	-	21,813,958	21,813,958	0%	58,016,446	37.60%

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, 2017

Measurement Date, as of June 30,	2016	2015	2014
CalSTRS			
District's proportion of the net pension liability	0.09423%	0.09423%	0.09494%
District's proportionate share of the net pension liability	$ 76,216,164	$ 63,436,646	$ 54,897,947
State's proportionate share of the net pension liability associated withthe District	43,388,503	33,550,993	33,149,751
Total	$119,604,667	$ 96,987,639	$ 88,047,698
District's covered payroll	$ 47,112,577	$ 40,911,198	$ 41,368,667
District's proportionate share of the net pension liability as apercentage of its covered payroll	162%	155%	133%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%
CalPERS			
District's proportion of the net pension liability	0.14232%	0.14549%	0.14118%
District's proportionate share of the net pension liability	$ 28,109,165	$ 21,445,165	$ 16,027,823
District's covered payroll	$ 16,912,359	$ 16,089,913	$ 14,796,667
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	166%	133%	108%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%

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

See accompanying note to required supplementary information.

OAK GROVE SCHOOL DISTRICT

SCHEDULE OF DISTRICT’S PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2017

Fiscal Year Ended, June 30,	2017	2016	2015
CalSTRS			
Contractually required contribution	$ 6,074,029	$ 5,052,754	$ 3,985,408
Contributions in relation to the contractually required contribution	6,074,029	5,037,358	3,985,408
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered payroll	$ 48,311,529	$ 47,112,577	$ 40,911,198
Contributions as a percentage of covered payroll	12.57%	10.69%	9.63%
CalPERS			
Contractually required contribution	$ 2,523,888	$ 2,003,607	$ 1,841,007
Contributions in relation to the contractually required contribution	2,523,888	2,003,607	1,841,007
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered payroll	$ 18,173,157	$ 16,912,359	$ 16,089,913
Contributions as a percentage of covered payroll	13.89%	11.85%	11.44%

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

See accompanying note to required supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedules

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on-behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles based on advice from the State of California. The budget is adopted in a basis consistent with GAAP and the budgetary level of control is on the expenditure line item level.

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

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

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 – There were no changes in economic assumptions for CalSTRS plans from the previous valuations. CalPERS discount rate was changed from 7.50% to 7.65% in 2016.

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, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Grant Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Title I - Basic Grants Low-Income	84.010	14329	$ 1,236,407
Title II - Teacher Quality	84.367	14341	406,709
Title III - Limited English Proficient (LEP)	84.365	14346	256,451
Special Education Cluster			
Basic Local Assistance	84.027	13379	1,686,273
Local Assistance, Private School ISPs	84.027	10115	1,703
Mental Health Allocation Plan, Part B, Section 611	84.027A	14468	123,275
Preschool Grants	84.173	13430	75,377
Preschool Local Entitlement	84.027A	13682	206,989
Preschool Staff Development	84.173A	13431	1,389
Total Special Education Cluster			2,095,006
Total U.S. Department of Education			3,994,573
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Department of Health Care Services:			
Medi-Cal Billing Option	93.778	10013	88,379
Total U.S. Department of Health and Human Services			88,379
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch	10.555	13391	1,846,282
Special Milk	10.556	13528	23,603
Especially Needy Breakfast	10.553	13526	511,648
Commodity	10.555	13391	228,564
Total Child Nutrition Cluster			2,610,097
Child and Adult Care Food Program	10.558	13393	273,742
Total U.S. Department of Agriculture			2,883,839
Total Expenditures of Federal Awards			$ 6,966,791

See accompanying note to supplementary information.

OAK GROVE SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2017

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

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

ADMINISTRATION

NAME	TITLE
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, 2017

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	4,431.88	4,425.11
Fourth through sixth	3,350.36	3,345.13
Seventh and eighth	2,183.65	2,175.23
Total Regular ADA	9,965.89	9,945.47
Extended Year Special Education		
Transitional kindergarten through third	6.84	6.84
Fourth through sixth	4.70	4.70
Seventh and eighth	2.02	2.02
Total Extended Year Special Education	13.56	13.56
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	4.17	4.15
Fourth through sixth	17.99	16.55
Seventh and eighth	4.63	4.22
Total Special Education, Nonpublic, Nonsectarian Schools	26.79	24.92
Community Day School		
Fourth through sixth	1.04	1.19
Seventh and eighth	10.43	10.63
Total Community Day School	11.47	11.82
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.36	0.36
Fourth through sixth	1.56	1.56
Seventh and eighth	0.16	0.16
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	2.08	2.08
Total Classroom Based ADA	10,019.79	9,997.85

See accompanying note to supplementary information.

OAK GROVE SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2017

	1986-1987	2016-2017	Number of Days		
Grade Level	Actual Minutes	Actual Minutes	Traditional Calendar	Multitrack Calendar	Status
Kindergarten	36,000	46,800	180	Not applicable	Complied
Grades 1 - 3	50,400				
Grade 1		51,215	180	Not applicable	Complied
Grade 2		51,215	180	Not applicable	Complied
Grade 3		51,215	180	Not applicable	Complied
Grades 4 - 6	54,000				
Grade 4		54,000	180	Not applicable	Complied
Grade 5		54,000	180	Not applicable	Complied
Grade 6		54,000	180	Not applicable	Complied
Grades 7 - 8	54,000				
Grade 7		54,608	180	Not applicable	Complied
Grade 8		54,608	180	Not applicable	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, 2017

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2017.

See accompanying note to supplementary information.

OAK GROVE SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

	(Budget) 2018[1]	2017	2016	2015
GENERAL FUND				
Revenues	$ 105,713,939	$ 112,609,826	$ 113,071,106	$ 98,410,220
Other sources and transfers in	10,401,678	70,980	395,314	622,121
Total Revenues and Other Sources	116,115,617	112,680,806	113,466,420	99,032,341
Expenditures	117,115,573	115,185,205	111,119,960	103,429,845
Other uses and transfers out	97,907	304,106	14,557	315,781
Total Expenditures and Other Uses	117,213,480	115,489,311	111,134,517	103,745,626
INCREASE (DECREASE) IN FUND BALANCE	$ (1,097,863)	$ (2,808,505)	$ 2,331,903	$ (4,713,285)
ENDING FUND BALANCE	$ 8,676,874	$ 9,774,737	$ 12,583,242	$ 10,251,339
AVAILABLE RESERVES [2]	$ 3,752,617	$ 4,850,480	$ 8,972,069	$ 4,338,170
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	3.20%	4.20%	8.07%	4.18%
LONG-TERM OBLIGATIONS	$ 341,803,306	$ 352,255,144	$ 332,460,483	$ 331,574,646
K-12 AVERAGE DAILY ATTENDANCE AT P-2	9,942	10,020	10,260	10,508

The General Fund balance has decreased by $476,602 over the past two years. The fiscal year 2017-2018 budget projects a decrease of $1,097,863. 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 2017-2018 fiscal year. Total long-term obligations have increased by $20,680,498 over the past two years.

Average daily attendance has decreased by 488 ADA over the past two years. Average daily attendance is anticipated to decrease by 78 ADA during fiscal year 2017-2018.

[1] Budget 2018 is included for analytical purposes only and has not been subjected to audit.
[2] Available reserves consist of all unassigned fund balances within the General Fund.

See accompanying note to supplementary information.

OAK GROVE SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017

	Capital Facilities Fund	Tax Override Fund	Total Non-Major Governmental Funds
ASSETS			
Deposits and investments	$ 759,058	$ 460	$ 759,518
Receivables	2,077	-	2,077
Total Assets	$ 761,135	$ 460	$ 761,595
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to other funds	$ 411,442	$ -	$ 411,442
Total Liabilities	411,442	-	411,442
Fund Balances:			
Restricted	349,693	460	350,153
Total Fund Balances	349,693	460	350,153
Total Liabilities and Fund Balances	$ 761,135	$ 460	$ 761,595

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, 2017

	Capital Facilities Fund	Tax Override Fund	Total Non-Major Governmental Funds
REVENUES			
Other local sources	$ 150,228	$ 214	$ 150,442
Total Revenues	150,228	214	150,442
EXPENDITURES			
General administration	13,734	-	13,734
Facility acquisition and construction	407,278	-	407,278
Total Expenditures	421,012	-	421,012
Excess (Deficiency) of Revenues Over Expenditures	(270,784)	214	(270,570)
NET CHANGE IN FUND BALANCES	(270,784)	214	(270,570)
Fund Balance - Beginning	620,477	246	620,723
Fund Balance - Ending	$ 349,693	$ 460	$ 350,153

See accompanying note to supplementary information.

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 Governmetnal Funds Statement		$ 6,853,283
Federal subsidy for Build America Bonds not recorded on the SEFA	not available	(80,691)
Other	not available	(34,365)
Commodities not recorded on the financial statements	10.555	228,564
Total Schedule of Expenditures of Federal Awards.		$ 6,966,791

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.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2017

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

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

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

Board of Trustees
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 (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 1, 2017.

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.

260 Sheridan Avenue, Suite 440 Palo Alto, CA 94306 Tel: 650.462.0400 www.vtdcpa.com Fax: 650.462.0500

Compliance and Other Matter

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

Purpose of This Report

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

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
November 1, 2017

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND 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 (District) compliance with the types of compliance requirement described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the year ended June 30, 2017. The District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative 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, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2017.

260 Sheridan Avenue, Suite 440 Palo Alto, CA 94306 Tel: 650.462.0400 www.vtdcpa.com Fax: 650.462.0500

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.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
November 1, 2017

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

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 (District) compliance with the types of compliance requirements as identified in the *2016-2017 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the District's State government programs as noted below for the year ended June 30, 2017.

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 *2016-2017 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, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2017.

260 Sheridan Avenue, Suite 440 Palo Alto, CA 94306 Tel: 650.462.0400 www.vtdcpa.com Fax: 650.462.0500

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:

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
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
Mental Health Expenditures	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After 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
Immunizations	Yes
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

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

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

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
November 1, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OAK GROVE SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2017

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I - Basic Grants Low-Income
84.173, 84.173A, 84.027, 84.027A	Special Education Cluster

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

STATE AWARDS

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

OAK GROVE SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

OAK GROVE SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

None reported.

OAK GROVE SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

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