OAK GROVE SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

JUNE 30, 2015

OAK GROVE SCHOOL DISTRICT

TABLE OF CONTENTS
JUNE 30, 2015

FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Oak Grove School District
San Jose, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Oak Grove School District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and *2014-2015 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 17 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – and amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, such as management's discussion and analysis, budgetary comparison schedule, District's proportionate share of pension liabilities schedule, District's pension contribution schedule and other postemployment benefit funding progress schedule, 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 the Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the other supplementary information 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 accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information including the Schedule of Expenditures of Federal Awards, 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 December 14, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
December 14, 2015

DISTRICT PROFILE

The Oak Grove School District is located in the southern part of San Jose, California. The District serves almost 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 (the District) and its business-type activities using the integrated approach as prescribed by GASB Statement Number 34.

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

The *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 a balance sheet 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

2014-2015 Operations:

- Local Control Funding Formula (LCFF) replaced Revenue Limit as the method to calculate K-12 education entitlements in 2013-2014. The conversion from Revenue Limit to LCFF resulted in many restricted categorical programs, previously included in Other State Revenues, to be consolidated into unrestricted LCFF Sources. As a result of the consolidation, LCFF Sources now account for 83% of the District's General Fund revenues.
- The District's net position at June 30, 2015 is ($31.6) million, reflecting a decrease of $83.8 million adjustment of net position at June 30, 2014 as result of adopting GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Of this amount, $12.4 million is legally restricted (restricted net portion), and $16.0 million is net investment in capital assets, and ($60.1) million is the unrestricted portion.
- Total enrollment continued to decrease from 11,156 in 2013-2014 to 10,916 in 2014-15, a reduction of 240 students (2%).
- The district received Mandated Cost Reimbursement in the amount of $1.03 million, which is $0.7 million (234%) more than prior year due to the State is the process of paying off related liability and transferring the program from actual cost to a blanket rate-based disbursement process.
- The other state revenues decreased by $1.8 million, primarily because the District received $2.3 million for the Common Core State Standard (CCSS) Implementation in prior year.
- Due to the solar system implementation, the District received $1.4 million for PG&E refunds for excess electricity generated from the system. The debt services payment for the solar system for the same period was $794 thousand.
- The total cost of health benefits paid for eligible retirees was $0.48 million. This was $109 thousand less than the prior year due to fifteen early retirement package expiration or the retirees having reached the age of 65.
- The District was awarded again with local grants as in the prior year, Heising-Simons Foundation Grant, Sobrato Family Foundation Grant, and Costsen Grant, for a combined total of $678 thousand for the teacher mentoring and family engagement program.
- The District issued 2014 Series A bonds in the amount of $57.575 million and Series B bonds in the amount of $6.025 million, generating a total of $63.365 million for the facility bond modernization program (net of bond issuance costs).

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 2014-15.

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 $6.57 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 new bonds 2014 Series A and 2014 Series B in the amount of $57.575 million and $6.025 million, respectively. The District's outstanding debt on the GO Bonds is approximately $177.589 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 and liabilities 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 and liabilities, and represents one way to measure the District's financial health, or *financial positio*n. 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 net position was ($32.42) million for the fiscal year ended June 30, 2015. Restricted net position are reported separately to show legal constraints from debt covenants and enabling legislation that limit the District's ability to use those net position for day-to-day operations. The analysis below focuses on the District's net position (Table 1) and change in net position (Table 2) of the District's governmental and business type activities.

Table 1 – Comparison of Net Position – Governmental Activities

(Amounts in millions)	Statement of Net Position 2014-15	Statement of Net Position 2013-14	Percentage of Change
ASSETS			
Current and other assets	$ 111.15	$ 49.28	126%
Capital assets	156.58	155.18	1%
TOTAL ASSETS	267.73	204.46	31%
DEFERRED OUTFLOWS OF RESOURCES	7.67	2.03	100%
LIABILITIES			
Current liabilities	12.67	9.10	39%
Long-term liabilities	276.13	134.64	105%
TOTAL LIABILITIES	288.80	143.74	101%
DEFERRED INFLOWS OF RESOURCES	19.03	-	100%
NET POSITION			
Invested capital assets, net of related debt	15.99	25.83	-38%
Restricted	11.66	8.65	35%
Unrestricted	(60.07)	26.27	-329%
TOTAL NET POSITION	$ (32.42)	$ 60.75	-153%

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 2013-14 and 2014-15 are in the instructional and related categories. These expenses increased $5.72 million due to mainly collective bargaining settlements and added instructional and related instructional positions. Total General Revenues include the $2.33 million "On Behalf Payments." (See "Notes to the Financial Statements").

Table 2 – Comparison of Activities

(Amounts in millions)	Statement of Activities 2014-15		Statement of Activities 2013-14		Percentage of Change
REVENUES					
Program revenues:					
Charges for services and sales	$ 1.14		$ 2.29		-50%
Operating grants and contributions	11.89		14.69		-19%
General revenues	102.24	*	93.13	*	10%
TOTAL REVENUES	115.27		110.11		
EXPENSES					
Instruction and related instruction	76.80	*	71.08	*	8%
Student support services	13.50		12.34		9%
Administration	9.63		8.50		13%
Maintenance and operations	11.11		7.27		53%
Other	12.84		13.62		-6%
TOTAL EXPENSE	123.88		112.81		
Excess (deficit)	$ (8.61)		$ (2.70)		-219%

*Includes On Behalf Payments of $2.33M and $2.25M for 2015 and 2014 respectively - See Notes To Financial Statements.

Governmental Activities

As reported in the Statement of Activities, the cost of all governmental activities and business type activities this year was $124.82 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 2014-15 and 2013-14 is 11% when "On Behalf Payments" are included. Approximately 60% of the District's General fund resources are spent on direct instruction.

Table 3 – Comparison of Total Cost of Services

(Amounts in millions)	Total Cost of Services 2014-15		Total Cost of Services 2013-14		Percentage of Change
Instruction	$	63.86 *	$	57.09 *	12%
Other related instruction		5.65		5.47	3%
School administration		5.88		5.28	11%
Student support services		4.87		4.02	21%
Pupil transportation		3.38		3.59	-6%
Administration		6.46		6.13	5%
Maintenance and operations		9.46		7.11	33%
Other outgo		6.19		6.59	-6%
TOTAL	$	105.76	$	95.28	11%

*Includes On Behalf Payments of $2.33M and $2.25M for 2015 and 2014 respectively - See Notes To Financial Statements.

In Table 4, we categorize the expenditures by object codes. Because the District is a service-oriented entity, most of the expenditures (79%) are for employee salaries and benefits.

Table 4 – Comparison of Expenditures by Object Code

(Amounts in millions)	Expenditures by Object Code 2014-15		Expenditures by Object Code 2013-14		Percentage of Change
Certificated salaries	$	46.93	$	42.67	10%
Classified salaries		15.10		14.12	7%
Employee benefits		21.17 *		19.81 *	7%
Books and supplies		4.40		3.51	25%
Services and operating expenses		11.02		8.56	29%
Other		7.05		6.75	4%
TOTAL	$	105.67	$	95.42	11%

*Includes On Behalf Payments of $2.33M and $2.25M for 2015 and 2014 respectively - See Notes To Financial Statements.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

At the end of the District's fiscal year, the general fund balance was $10.25 million. Of the $10.25 million, $0.16 million was non-spendable and $1.61 million was restricted. The fund balance decreased by $4.71 million from the prior year amount of $14.96 million. The decrease was primarily due to collective bargaining settlements with all units as well as added positions 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:

- One-time reimbursement of the prior year Mandated Cost revenues was approved for $725 thousand.

Expenditures:

- 2014-15 collective bargaining with all units was settled for a total of $4.1 million.
- Additional Certificated positions including teachers to lower class sizes, specialized social worker, occupational therapists and various coaches were added for approximately $1.5 million.
- Additional Classified positions, such as the increase of 2 hours per health clerk and added instructional aids in the special education program, were added for a total cost of $0.10 million.
- A total of 2,463 Chromebooks were purchased district-wide for students in fiscal year 2014-15.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2015, the District had $156.58 million in a broad range of capital assets, including land, buildings, furniture and equipment. The $1.40 million increase in capital assets is due to additions of some building improvements.

Table 5 – Capital Assets (net of depreciation)

(Amounts in millions)	Governmental Activities 2014-15	Governmental Activities 2013-14	Percentage of Change
Land	$ 3.52	$ 3.52	0%
Construction in Progress	3.85	0.01	100%
Building and Improvements	148.07	150.37	-2%
Furniture and Equipment	1.15	1.29	-11%
TOTAL	$ 156.58	$ 155.19	1%

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 $75.0 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.

Long-Term Debt

The District has long-term obligations totaling $210.20 million as of June 30, 2015. 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

	Governmental Activities		Percentage of
(Amounts in millions)	2014-15	2013-14	Change
General obligation bonds	$ 186.38	$ 118.01	58%
Capital lease obligations	14.19	15.30	-7%
Compensated absences	0.75	0.65	16%
Net OPEB obligation	8.67	6.52	33%
State Allocation Board penalty	0.22	0.33	100%
TOTAL	$ 210.20	$ 140.81	49%

FACTORS BEARING ON THE DISTRICT'S FUTURE

State Funding – In January, 2013, Governor Jerry Brown introduced the new school funding formula, called Local Control Funding Formula (LCFF), replacing the traditional Revenue Limit funding formula. This is the most comprehensive reform to its school finance system in 40 years, putting local communities in the driver's seat and invests more than $10 billion in high needs students. It also shifts the inequitable and irrational way of funding schools to a much simpler "need-based" education funding formula for students. LCFF provides:

- Increases funding for all districts with additional resources for low-income, English Language Learners, and students in foster care.
- Remove many bureaucratic restrictions associated with the money sent to local school districts.
- Increase Local Control, given local school district more options on how to best use funds for own school district's needs and priorities.

With more funding targeted at high-need learners, school districts can spend money on what matters most to close the achievement gap of highest and lowest performing students. LCFF also provides more community involvement in spending decisions and public transparency as to how the funds are spent. LCFF is a major improvement in the way of distributing the education funding to ensure that all students reach their full potential.

As always the case, the outcome of ongoing efforts by the Governor and Legislature to address the State budget will have significant impact on the financial future of California school districts.

ECONOMIC FACTORS AND BUDGET ASSUMPTIONS

The District's CBEDS enrollment for fiscal year 2015-16 is projected at 10,757, a decrease of 159 from the prior year. The District has been experiencing 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 2015-16 budget was based on the Governor's proposed May budget. Significant details of the Governor's proposed May budget for K-12 School Funding include:

- Increase LCFF funding to $53.1 billion;
- Full repayment of past-year school deferrals;
- One-time discretionary fund, which includes offset of outstanding mandated cost reimbursement claims; and
- Expansion of career-technical education to $400 million.

California economy has been experiencing economic recovery from the recession; however; volatility of the state economy is still a concern of the District for future years. The impact of the expiration of Proposition 30 is also a concern as temporarily increased state sales tax and income tax rates for high income earners will expire in 2016 and 2018 respectively.

As part of a national initiative to strengthen student academic performance and achievement, a national common set of school standards (common core) for mathematics and English language arts has been developed in association with the Council of Chief State School Officers and the National Governors Association. California belongs to an assessment consortium of 30 states that have adopted common core standards. As education moves further into Common Core Implementation and 21st Century Skills, the impact on the budget will continue to be large. In 2015-16, professional development will need to continue in English-language arts and mathematics, with a focus on English-language development (ELD). We will need to begin providing professional development on the New Science Standards.

Technology will continue to be a focus. The District plans to purchase two-to-one (2:1) devices for students in 2015-16 using Measure P bond proceeds, which will be paid off within five years. We will need to increase the bandwidth and internet access points to accommodate that number of devices. We will need to prepare for replacement and refresh of technology for staff and students.

Tentative Agreement with the OGEA for 2015-16 was reached prior to June 30, 2015, pending board approval. Impact of the Agreement was not incorporated into the 2015-16 adopted budget as the agreement was entered into after the budget has gone to print. Total projected costs of the Agreement over a three-year period, approximately $6.0 million, were set aside as a component of projected ending fund balances in the 2015-16 adopted 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.

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

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflow of Resources	Proportionate Share of Deferred Inflow of Resources	Proportionate Share of Pension Expense
CalSTRS	$ 54,897,947	$ 3,985,408	$ 13,518,515	$ 4,739,465
CalPERS	16,027,823	1,841,007	5,507,339	1,424,546
Total	$ 70,925,770	$ 5,826,415	$ 19,025,854	$ 6,164,011

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, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Deposits and investments	$ 107,246,886	$ 954,165	$ 108,201,051
Receivables	3,651,904	2,444	3,654,348
Internal balances	112,266	(112,266)	-
Prepaid items	114,184	4	114,188
Stores inventories	22,501	-	22,501
Capital assets not depreciated	7,366,960	-	7,366,960
Depreciated capital assets, net of accumulated depreciation	149,213,605	-	149,213,605
Total Assets	267,728,306	844,347	268,572,653
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	1,847,511	-	1,847,511
Deferred outflows from pension activities	5,826,415	-	5,826,415
Total Deferred Outflows of Resources	7,673,926	-	7,673,926
LIABILITIES			
Accounts payable	5,499,204	14,071	5,513,275
Interest payable	1,734,974	-	1,734,974
Unearned revenue	319,277	3,415	322,692
Claims liability	113,628	-	113,628
Current portion of long-term obligations other than pensions	4,999,053	-	4,999,053
Noncurrent portion of long-term obligations other than pensions	205,204,265	-	205,204,265
Aggregate net pension liability	70,925,770	-	70,925,770
Total Liabilities	288,796,171	17,486	288,813,657
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pension activities	19,025,854	-	19,025,854
Total Deferred Inflows of Resources	19,025,854	-	19,025,854
NET POSITION			
Net investment in capital assets	15,989,425	-	15,989,425
Restricted for:			
Educational Programs	1,605,148	-	1,605,148
Debt service	8,635,202	-	8,635,202
Food service programs	346,644	-	346,644
Child care programs	-	826,861	826,861
Capital projects	500,780	-	500,780
Self-insurance	572,897	-	572,897
Unrestricted	(60,069,889)	-	(60,069,889)
Total Net Position	$ (32,419,793)	$ 826,861	$ (31,592,932)

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

OAK GROVE SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions
Governmental Activities:			
Instruction	$ 64,169,760	$ 284	$ 5,017,929
Instruction-related activities:			
Supervision of instruction	5,209,818	252	1,299,477
Instructional library, media, and technology	980,751	5	27,231
School site administration	6,442,515	17	68,994
Pupil services:			
Home-to-school transportation	3,715,286	-	21,211
Food services	4,449,531	1,073,185	2,826,577
All other pupil services	5,338,599	28	1,245,472
General administration:			
Data processing	1,360,384	6	2,985
All other general administration	8,271,830	61,071	523,613
Plant services	11,105,869	22	2,325
Ancillary services	108,731	1	342
Community services	31,371	10	4,859
Enterprise services	262,201	-	-
Interest on long-term obligations	7,249,467	-	-
Other outgo	5,184,640	442	852,042
Total Governmental-Type Activities	123,880,753	1,135,323	11,893,057
Business-Type Activities			
Enterprise services	941,439	1,018,642	-
Total Primary Government	$ 124,822,192	$ 2,153,965	$ 11,893,057

General revenues and subventions:

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Taxes levied for other specific purposes
- Federal and State aid not restricted to specific purposes
- Interest and investment earnings
- Intergovernmental revenue
- Miscellaneous

Subtotal, General Revenues

Change in Net Position

Net Position - Beginning, as restated

Net Position - Ending

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

Governmental Activities	Business-Type Activities	Total
$ (59,151,547)	$ -	$ (59,151,547)
(3,910,089)	-	(3,910,089)
(953,515)	-	(953,515)
(6,373,504)	-	(6,373,504)
(3,694,075)	-	(3,694,075)
(549,769)	-	(549,769)
(4,093,099)	-	(4,093,099)
(1,357,393)	-	(1,357,393)
(7,687,146)	-	(7,687,146)
(11,103,522)	-	(11,103,522)
(108,388)	-	(108,388)
(26,502)	-	(26,502)
(262,201)	-	(262,201)
(7,249,467)	-	(7,249,467)
(4,332,156)	-	(4,332,156)
(110,852,373)	-	(110,852,373)
-	77,203	77,203
(110,852,373)	77,203	(110,775,170)
25,790,733	-	25,790,733
6,061,587	-	6,061,587
1,810,830	-	1,810,830
58,029,149	-	58,029,149
257,425	3,836	261,261
5,188,014	-	5,188,014
5,095,758	167	5,095,925
102,233,496	4,003	102,237,499
(8,618,877)	81,206	(8,537,671)
(23,800,916)	745,655	(23,055,261)
$ (32,419,793)	$ 826,861	$ (31,592,932)

OAK GROVE SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015

	General Fund	Building Fund	Special Reserve Capital Outlay Fund
ASSETS			
Deposits and investments	$ 9,274,775	$ 62,006,898	$ 24,250,127
Receivables	2,974,737	86,921	32,400
Due from other funds	1,044,114	242,206	158,511
Prepaid items	114,184	-	-
Stores inventories	22,501	-	-
Total Assets	$ 13,430,311	$ 62,336,025	$ 24,441,038
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 2,733,588	$ 2,634,296	$ -
Due to other funds	194,063	141,307	827,664
Unearned revenue	251,321	-	-
Total Liabilities	3,178,972	2,775,603	827,664
Fund Balances:			
Nonspendable	156,685	-	-
Restricted	1,605,148	58,122,365	25,958
Assigned	4,151,336	1,438,057	23,587,416
Unassigned	4,338,170	-	-
Total Fund Balances	10,251,339	59,560,422	23,613,374
Total Liabilities and Fund Balances	$ 13,430,311	$ 62,336,025	$ 24,441,038

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

Non-Major Governmental Funds	Total Governmental Funds
$ 11,082,558	$ 106,614,358
493,692	3,587,750
63,315	1,508,146
-	114,184
-	22,501
$ 11,639,565	$ 111,846,939
$ 131,320	$ 5,499,204
232,846	1,395,880
57,799	309,120
421,965	7,204,204
-	156,685
10,716,820	70,470,291
500,780	29,677,589
-	4,338,170
11,217,600	104,642,735
$ 11,639,565	$ 111,846,939

OAK GROVE SCHOOL DISTRICT

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

Total Fund Balance - Governmental Funds		$ 104,642,735
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	$ 203,253,110	
Accumulated depreciation is	(46,672,545)	
Net Capital Assets		156,580,565
Expenditures relating to contributions made to pension plans were recognized on the governmental funds, but are deferred on the statement of position.		5,826,415
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.		(1,734,974)
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.		572,897
The difference between projected and actual pension plan investment earnings are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.		(19,025,854)
Long-term liabilities at year end consist of:		
Bonds payable and deferred amount on refunding	184,527,980	
State Allocation Board penalty	217,476	
Compensated absences	751,818	
Capital lease payable	14,185,525	
Other post employment benefits	8,673,008	
Net pension liability	70,925,770	
Total Long-Term Obligations		(279,281,577)
Total Net Position - Governmental Activities		$ (32,419,793)

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

OAK GROVE SCHOOL DISTRICT

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

	General Fund	Building Fund	Special Reserve Capital Outlay Fund
REVENUES			
Local control funding formula	$ 81,236,573	$ -	$ -
Federal sources	4,360,405	-	-
Other state sources	6,607,701	-	-
Other local sources	8,537,784	620,650	2,476,964
Total Revenues	100,742,463	620,650	2,476,964
EXPENDITURES			
Current			
Instruction	63,858,496	-	-
Instruction-related activities:			
Supervision of instruction	4,753,418	-	-
Instructional library, media and technology	893,163	-	-
School site administration	5,880,446	-	-
Pupil Services:			
Home-to-school transportation	3,383,225	-	-
Food services	1,004	-	-
All other pupil services	4,872,507	-	-
General administration:			
Data processing	1,238,797	-	-
All other general administration	5,225,305	-	-
Plant services	8,656,771	-	-
Facility acquisition and construction	677,290	5,850,040	466,482
Ancillary services	99,286	-	-
Community services	28,567	-	-
Other outgo	5,184,640	-	-
Enterprise services	2,508	-	-
Debt service			
Principal	655,407	455,065	108,075
Interest and other	351,258	261,024	1,329
Total Expenditures	105,762,088	6,566,129	575,886
Excess (Deficiency) of Revenues Over	(5,019,625)	(5,945,479)	1,901,078
Other Financing Sources (Uses):			
Transfers in	622,121	-	253,059
Other sources	-	63,600,000	-
Transfers out	(315,781)	-	(883,121)
Net Financing Sources (Uses)	306,340	63,600,000	(630,062)
NET CHANGE IN FUND BALANCES	(4,713,285)	57,654,521	1,271,016
Fund Balance - Beginning	14,964,624	1,905,901	22,342,358
Fund Balance - Ending	$ 10,251,339	$ 59,560,422	$ 23,613,374

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

Non-Major Governmental Funds	Total Governmental Funds
$ -	$ 81,236,573
2,843,828	7,204,233
271,469	6,879,170
7,198,614	18,834,012
10,313,911	114,153,988
-	63,858,496
-	4,753,418
-	893,163
-	5,880,446
-	3,383,225
4,050,841	4,051,845
-	4,872,507
-	1,238,797
242,621	5,467,926
82	8,656,853
-	6,993,812
-	99,286
-	28,567
-	5,184,640
-	2,508
2,910,000	4,128,547
2,878,348	3,491,959
10,081,892	122,985,995
232,019	(8,832,007)
323,722	1,198,902
5,188,014	68,788,014
-	(1,198,902)
5,511,736	68,788,014
5,743,755	59,956,007
5,473,845	44,686,728
$ 11,217,600	$ 104,642,735

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, 2015

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Total Net Change in Fund Balances - Governmental Funds		**$ 59,956,007**
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	$ 5,394,460	
Depreciation expense	(3,994,493)	
Net expense adjustment		1,399,967
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.		(63,600,000)
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 dose not affect the statement of activities.		(5,188,014)
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.		(3,060,821)
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.		2,910,000
Payment of principal on capital leases is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.		1,110,472
Payment of long-term penalty loan from State Allocation Board is an expenditures in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.		108,075

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

OAK GROVE SCHOOL DISTRICT

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

Amortization of bond premiums and deferred amounts on refunding are recorded as revenue when received in governmental funds, but they are recorded as a liability in the statement of net position and amortized to operations in the statement of activities.	392,087
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.	(511,612)
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.	(97,147)
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.	(2,157,276)
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.	(353,236)
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.	472,621
Change in Net Position of Governmental Activities	**$ (8,618,877)**

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

OAK GROVE SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF FUND NET POSITION
JUNE 30, 2015

	Enterprise Fund	Governmental Activities Internal Service Fund
ASSETS		
Current Assets		
Deposits and investments	$ 954,165	$ 632,528
Receivables	2,444	64,154
Prepaid items	4	-
Total Current Assets	956,613	696,682
LIABILITIES		
Current Liabilities		
Accounts payable	14,071	-
Due to other funds	112,266	-
Unearned revenue	3,415	10,157
Claim liabilities	-	113,628
Total Current Liabilities	129,752	123,785
NET POSITION		
Restricted for child care programs	826,861	-
Restricted for insurance programs	-	572,897
Total Net Position	$ 826,861	$ 572,897

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, 2015

	Enterprise Fund	Governmental Activities Internal Service Fund
OPERATING REVENUES		
Fees charged to users or other funds	$ 1,018,811	$ 2,175,932
Total operating revenue	1,018,811	2,175,932
OPERATING EXPENSES		
Payroll costs	740,310	-
Supplies and materials	59,815	-
Facility rental	12,000	-
Other expenses	129,314	1,704,384
Total operating expenses	941,439	1,704,384
Operating Income	77,372	471,548
NONOPERATING REVENUES		
Interest income	3,835	1,073
Change in Net Position	81,207	472,621
Total Net Position - Beginning	745,654	100,276
Total Net Position - Ending	$ 826,861	$ 572,897

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, 2015

	Enterprise Fund	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from user charges	$ 1,018,733	$ 2,146,602
Cash payments to employees for services	(759,533)	-
Cash payments for insurance claims	-	(1,737,708)
Cash payments to suppliers for goods and services	(219,084)	-
Net Cash Provided by Operating Activities	40,116	408,894
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	3,835	1,073
Net increase in Cash and Cash Equivalents	43,951	409,967
Cash and Cash Equivalents - Beginning	910,217	222,561
Cash and Cash Equivalents - Ending	$ 954,168	$ 632,528
RECONCILIATION OF OPERATING INCOME NET CASH TO PROVIDED BY OPERATING ACTIVITITES		
Operating income	$ 77,372	$ 471,548
Changes in assets and liabilities:		
Receivables	(1,224)	(37,133)
Accrued liabilities	(17,955)	(33,324)
Unearned revenue	1,145	7,803
Due to other fund	(19,222)	-
Net Cash Provided by Operating Activities	$ 40,116	$ 408,894

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

OAK GROVE SCHOOL DISTRICT

FIDUCIARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2015

		Agency Fund
ASSETS		
Deposits and investments	$	135,986
Receivables		18
Total Assets	$	136,004
LIABILITIES		
Due to student groups	$	136,004

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Oak Grove School 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 deferred outflows, and liabilities and deferred inflows 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.

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).

Non-Major Governmental Funds

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

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

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.

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.

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:

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.

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.

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. The Net Position restricted for other activities result from special revenue funds and the restrictions on their net asset use.

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. 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 90 days of fiscal year-end. The following revenue sources are considered to be both measurable and available at fiscal year end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose 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 revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

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

Expenses/Expenditures

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

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

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities. Debt premiums and discounts, as well as issuance costs, related to prepaid insurance costs are amortized over the life of the bonds using the straight line method.

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 on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

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 current year pension contributions.

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 difference between actual and expected rate of return on investments specific to the net pension liability.

Pensions

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

Fund Balances - Governmental Funds

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

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

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

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

Minimum Fund Balance Policy

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

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. 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.

lnterfund 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements.

Estimates

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

Budgetary Data

The budgetary process is prescribed by provisions of the California Education Code and requires the 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.

Property Tax

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

Change in Accounting Principles

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

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68.* The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions.* The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by $83,771,973. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources.

New Accounting Pronouncements

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

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

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

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

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

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

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental funds	$ 106,614,358
Proprietary fund	1,586,693
Fiduciary fund	135,986
Total Deposits and Investments	$ 108,337,037

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

Cash on hand and in banks	$ 529,835
Cash in revolving	20,000
Investments	107,787,202
Total Deposits and Investments	$ 108,337,037

Policies and Practices

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

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The 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.

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

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 fair value of the deposits with County Treasurer at June 30, 2015 was $107,841,096 and the weighted average maturity of the pool was 469 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, 2015.

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 the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. The District has no significant custodial risk with respect to any of its bank deposits.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2015, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Fund
Federal Government:						
Categorical aid	$ 605,291	$ -	$ -	$ 454,028	$ 1,059,319	$ -
State Government:						
Categorical aid	350,322	-	-	27,934	378,256	-
Lottery	962,158	-	-	-	962,158	-
Interest	20,305	86,921	32,400	11,730	151,356	1,660
Local Sources	1,036,661	-	-	-	1,036,661	64,938
Total	$ 2,974,737	$ 86,921	$ 32,400	$ 493,692	$ 3,587,750	$ 66,598

NOTE 4 - PREPAID ITEMS

Prepaid items at June 30, 2015 consist of insurance premiums and other prepaid items paid to various vendors totaling $114,184 in the governmental funds.

NOTE 5 - CAPITAL ASSETS

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

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 3,521,000	$ -	$ -	$ 3,521,000
Construction in progress	7,680	3,838,280	-	3,845,960
Total Capital Assets Not Being Depreciated	3,528,680	3,838,280	-	7,366,960
Capital Assets Being Depreciated:				
Buildings and improvements	185,780,441	1,431,250	-	187,211,691
Furniture and equipment	8,549,529	124,930	-	8,674,459
Total Capital Assets Being Depreciated	194,329,970	1,556,180	-	195,886,150
Total Capital Assets	197,858,650	5,394,460	-	203,253,110
Less Accumulated Depreciation:				
Buildings and improvements	35,415,215	3,728,366	-	39,143,581
Furniture and equipment	7,262,837	266,127	-	7,528,964
Total Accumulated Depreciation	42,678,052	3,994,493	-	46,672,545
Governmental Activities Capital Assets, Net	$ 155,180,598	$ 1,399,967	$ -	$ 156,580,565

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

Governmental Activities	
Instruction	$ 2,390,590
Supervision of instruction	179,464
Instructional library, media, and technology	34,441
School site administration	221,015
Pupil transportation	130,572
Food services	156,377
Other pupil services	183,275
Ancillary services	3,714
Community services	1,103
Enterprise	102,115
Other general administration	209,915
Data processing services	47,810
Plant maintenance and operations	334,102
Total Depreciation Expense Governmental Activities	$ 3,994,493

NOTE 6 - INTERFUND TRANSACTION

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2015, between major and non-major governmental funds, and internal service funds are as follows:

	Due From				
Due To	General	Building	Special Reserve for Capital	Non-Major Governmental	Total
General	$ -	$ 28,359	$153,059	$ 12,645	$ 194,063
Building	450	140,857	-	-	141,307
Special Reserve for Capital	698,552	72,990	5,452	50,670	827,664
Non-Major Governmental	232,846	-	-	-	232,846
Enterprise	112,266	-	-	-	112,266
	$ 1,044,114	$ 242,206	$158,511	$ 63,315	$ 1,508,146

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, 2015, consisted of the following:

	Transfers In			
Transfer Out	General	Special Reserve Capital Outlay	Non-Major Governmental	Total
General	$ -	$ 253,059	$ 62,722	$ 315,781
Special Reserve Capital Outlay	622,121	-	261,000	883,121
	$ 622,121	$ 253,059	$ 323,722	$ 1,198,902

NOTE 7 - ACCOUNTS PAYABLE

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

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Funds
Vendor payables	$ 1,784,479	$ 2,626,469	$ 122,592	$ 4,533,540	$ 4,313
State apportionment	417,364	-	-	417,364	-
Salaries and benefits	531,745	7,827	8,728	548,300	9,758
Total	$ 2,733,588	$ 2,634,296	$ 131,320	$ 5,499,204	$ 14,071

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2015, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds	Proprietary Funds
State categorical aid	$ -	$ 57,799	$ 57,799	$ -
Other local	251,321	-	251,321	13,572
Total	$ 251,321	$ 57,799	$ 309,120	$ 13,572

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, 2014	Additions	Deductions	Balance June 30, 2015	Due in One Year
General obligation bonds	$ 113,837,928	$ 66,660,821	$ 2,910,000	$ 177,588,749	$ 3,690,000
Premium on bonds	4,175,890	5,188,014	577,162	8,786,742	577,162
Total general obligation bonds	118,013,818	71,848,835	3,487,162	186,375,491	4,267,162
Compensated absences	654,671	97,147	-	751,818	-
Capital leases	15,295,997	-	1,110,472	14,185,525	623,374
Net OPEB obligation	6,515,732	3,173,537	1,016,261	8,673,008	-
State Allocation Board Penalty	325,551	-	108,075	217,476	108,517
	$ 140,805,769	$ 75,119,519	$ 5,721,970	$ 210,203,318	$ 4,999,053

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Deferred amount on refunding	$ 2,032,586	$ -	$ 185,075	$ 1,847,511

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, 2014	Issued	Accreted	Redeemed	Bonds Outstanding June 30, 2015
2005	8/1/2024	2.25-5.0%	$ 34,335,000	$ 20,930,000	$ -	$ -	$ 1,665,000	$ 19,265,000
2008	8/1/2033	5.50%	10,000,000	10,000,000	-	-	-	10,000,000
2008	8/1/2033	4.45-6.83%	19,999,923	27,507,374	-	1,787,592	-	29,294,966
2008	8/1/2024	3.50-5.25%	8,390,000	8,390,000	-	-	-	8,390,000
2011	8/1/2042	2.72-6.97%	18,249,429	22,290,554	-	1,273,229	-	23,563,783
2011	8/1/2025	5.36%	1,750,000	1,750,000	-	-	-	1,750,000
2011	8/1/2025	1.25-4.00%	17,305,000	14,570,000	-	-	935,000	13,635,000
2013	8/1/2024	2.00-5.00%	8,400,000	8,400,000		-	310,000	8,090,000
2014	8/1/2044	4.00-5.00%	57,575,000	-	57,575,000	-	-	57,575,000
2014	8/1/2019	2.00-5.00%	6,025,000	-	6,025,000	-	-	6,025,000
				$ 113,837,928	$ 63,600,000	$ 3,060,821	$ 2,910,000	177,588,749
						Unamortized premium		8,786,743
							Total	$ 186,375,492

Debt Service Requirements to Maturity

The bonds mature through 2043 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	$ 3,690,000	$ 4,381,928	$ 6,422,518
2017	7,614,680	4,794,338	7,646,223
2018	7,292,416	4,495,146	8,084,485
2019	6,079,876	4,666,630	8,414,905
2020	6,456,058	4,642,448	11,098,506
2021-2025	37,407,736	25,601,256	63,008,992
2026-2030	16,879,597	35,269,553	52,149,150
2031-2035	26,960,046	34,814,082	61,774,128
2036-2040	23,983,210	49,851,754	73,834,964
2041-2043	26,615,733	23,526,816	50,142,549
Subtotal	162,979,352	$ 192,043,951	$ 342,576,420
Accretion to date	14,609,397		
Total bonds outstanding	$ 177,588,749		

Compensated Absences

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2015, amounted to $751,818.

State Allocation Board Penalty

During an expenditure review by the Office of Public School Construction (OPSC), it was discovered that the District requested Fund releases for five projects before the required contract threshold of 50% was met. The funds were released to the district for all five projects in January 2003 which was more than a year before the District reached the required threshold. OPSC found the District had received a funding advantage on the projects. The finding was one of Material Inaccuracy which by statue the State Allocation board is required to have the District repay an interest penalty.

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 & Trucks	Network Equipment	Total
Balance, July 1, 2014	$ 18,398,800	$ 218,145	$ 827,343	$ 19,444,288
Payments	794,370	105,028	654,182	1,553,580
Balance, June 30, 2015	$ 17,604,430	$ 113,117	$ 173,161	$ 17,890,708

The capital leases have minimum lease payments as follows:

Fiscal Year	Lease Payment
2016	$ 1,021,354
2017	937,300
2018	910,625
2019	966,660
2020	1,000,778
2021-2025	5,559,278
2026-2030	7,494,713
Subtotal	17,890,708
Interest	3,705,183
Minimum Payment	$ 14,185,525

OAK GROVE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Funds	Special Reserve Capital Fund	Non-Major Governmental Funds	Total Governmental Funds
Nonspendable					
Revolving cash	$ 20,000	$ -	$ -	$ -	$ 20,000
Stores inventories	22,501	-	-	-	22,501
Prepaid expenditures	114,184	-	-	-	114,184
Total Nonspendable	156,685	-	-	-	156,685
Restricted					
Educational programs	1,605,148	-	-	-	1,605,148
Food services	-	-	-	346,644	346,644
Capital projects	-	58,122,365	25,958	-	58,148,323
Debt service	-	-	-	10,370,176	10,370,176
Total Restricted	1,605,148	58,122,365	25,958	10,716,820	70,470,291
Assigned					
Bargaining Agreements	2,006,375	-	-	-	2,006,375
Capital projects	-	1,438,057	23,587,416	500,780	25,526,253
Parcel Tax	655,927	-	-	-	655,927
Site Budget Carryover	107,647	-	-	-	107,647
Early Retirement Program	1,381,387	-	-	-	1,381,387
Total Assigned	4,151,336	1,438,057	23,587,416	500,780	29,677,589
Unassigned					
Reserve for economic uncertainties	3,112,369	-	-	-	3,112,369
Remaining unassigned	1,225,801	-	-	-	1,225,801
Total Unassigned	4,338,170	-	-	-	4,338,170
Total	$ 10,251,339	$ 59,560,422	$ 23,613,374	$ 11,217,600	$ 104,642,735

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
2016	$ 1,719,791
2017	1,372,544
2018	1,367,441
2019	1,408,464
2020	1,450,718
2021-2025	7,101,417
2026-2030	4,248,200
Total	$ 18,668,575

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 Oak Grove School District. The Plan provides medical, dental, vision and life insurance benefits to eligible retirees and their spouses.

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 2014-2015, the District contributed $1,016,261 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 District's net OPEB obligation to the Plan:

Annual required contribution	$ 3,340,253
Interest on net OPEB obligation	260,629
Adjustment to annual required contribution	(427,345)
Annual OPEB cost (expense)	3,173,537
Contributions made	(1,016,261)
Increase in net OPEB obligation	2,157,276
Net OPEB obligation, beginning of year	6,515,732
Net OPEB obligation, end of year	$ 8,673,008

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
2015	$ 3,173,537	$ 1,016,261	30%	$ 8,673,008
2014	2,954,292	1,232,345	42%	6,515,732
2013	2,843,148	1,438,639	51%	4,793,785

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, 2014	$ -	$24,639,821	$24,639,821	0%	$58,878,452	41.85%

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, 2014, 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, 2015, was 24 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, 2015, 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 any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2015, the District participated in the Santa Clara County Schools Insurance Group (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.

Unpaid Claims Liabilities

The District accounts for these 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, 2013 to June 30, 2015:

Liability Balance, July 1, 2013	$	127,202
Claims and changes in estimates		2,313,778
Claims payments		(2,309,089)
Liability Balance, June 30, 2014		131,891
Claims and changes in estimates		1,686,121
Claims payments		(1,704,384)
Liability Balance, June 30, 2015	$	113,628
Assets available for insurance claims	$	686,525

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).

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

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflow of Resources	Proportionate Share of Deferred Inflow of Resources	Proportionate Share of Pension Expense
CalSTRS	$ 54,897,947	$ 3,985,408	$ 13,518,515	$ 4,739,465
CalPERS	16,027,823	1,841,007	5,507,339	1,424,546
Total	$ 70,925,770	$ 5,826,415	$ 19,025,854	$ 6,164,011

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

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

Benefits Provided

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

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

The STRP provisions and benefits in effect at June 30, 2015, 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	8.15%	8.15%
Required employer contribution rate	8.88%	8.88%
Required state contribution rate	5.95%	5.95%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the District's total contributions were $3,985,408.

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

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

District's proportionate share of net pension liability	$	54,897,947
State's proportionate share of the net pension liability associated with the District		33,149,751
Total net pension liability, including State share	$	88,047,698

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.0939 percent.

For the year ended June 30, 2015, the District recognized its proportionate share of pension expense of $4,739,465. In addition, the District recognized pension expense and revenue of $2,861,894 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurment date	$ 3,985,408	$ -
Net differences between projected and actual earnings on plan investments	-	13,518,515
Total	$ 3,985,408	$ 13,518,515

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

Fiscal Year	Amortization
2016	$ 3,379,629
2017	3,379,629
2018	3,379,629
2019	3,379,628
Total	$ 13,518,515

Actuarial Methods and Assumptions

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary' investment practice, a best estimate range was determined 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%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquididty	1%	0.00%

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%)	$ 85,571,542
Current discount rate (7.60%)	$ 54,897,947
1% increase	$ 29,321,744

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, 2013 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2013. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at:

https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

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

	School Employer Pool (CalPERS)	
	On or before	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	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the total District contributions were $1,841,007.

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $16,027,823. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.1412 percent.

For the year ended June 30, 2015, the District recognized pension expense of $1,424,546. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 1,841,007	$ -
Net differences between projected and actual earnings on plan investments	-	5,507,339
Total	$ 1,841,007	$ 5,507,339

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

Fiscal Year	Amortization
2016	$ 1,376,835
2017	1,376,835
2018	1,376,835
2019	1,376,834
Total	$ 5,507,339

Actuarial Methods and Assumptions

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

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

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

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	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

Discount Rate

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

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 (6.50%)	$ 28,116,460
Current discount rate (7.50%)	$ 16,027,823
1% increase (8.50%)	$ 5,926,548

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, 2015.

Litigation

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

Construction Commitments

As of June 30, 2015, 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	$ 2,895,200	November 2015
Bernal	HVAC's commissioning	1,676	November 2015
Chrisopher	Frontage's A&E services, inspection	768,260	November 2015
Davis	Frontage's A&E services, inspection	1,349,812	May 2016
Del Roble	HVAC/Roof's A&E services, inspection, commissioning	4,153,880	November 2015
Hayes	HVAC/Roof's asbestos testing, commissioning	3,052,310	November 2015
Maintenance	Site maps	14,075	January 2016
	Total	$ 12,235,213	

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, 2015, the District made payments of $1,831,146 to SCCSIG for services rendered.

NOTE 17 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. The restatement does not include deferred inflows of resources, as this information is not available. As a result, the effect on the current fiscal year is as follows:

Statement of Net Position	
Net Position - Beginning	$ 59,971,057
Restatement related to pension activities	(83,771,973)
Net Position - Beginning as Restated	$ (23,800,916)

REQUIRED SUPPLEMENTARY INFORMATION

OAK GROVE SCHOOL DISTRICT

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

	Budgeted Amounts			Variances - Positive (Negative)
	Original	**Final**	**Actual**	**Final to Actual**
REVENUES				
Local Control Funding Formula	$ 80,587,192	$ 81,236,573	$ 81,236,573	$ -
Federal sources	4,081,707	4,883,599	4,360,405	(523,194)
Other state sources[1]	4,514,938	4,231,823	4,275,458	43,635
Other local sources	7,005,411	8,848,279	8,537,784	(310,495)
Total Revenues	96,189,248	99,200,274	98,410,220	(790,054)
EXPENDITURES				
Current				
Certificated salaries	42,618,966	47,039,009	46,929,268	109,741
Classified salaries	14,649,691	15,328,665	15,102,967	225,698
Employee benefits[1]	19,087,493	19,487,662	19,250,193	237,469
Books and supplies	3,701,454	5,252,491	4,398,586	853,905
Services and operating expenditures	8,995,703	11,319,839	11,016,957	302,882
Other outgo	5,091,067	5,652,707	4,951,429	701,278
Capital outlay	637,157	901,914	771,272	130,642
Debt service - principal	651,114	597,331	655,407	(58,076)
Debt service - interest	414,432	414,269	351,258	63,011
Total Expenditures	95,847,077	105,993,887	103,429,845	2,564,042
Excess (Deficiency) of Revenues Over Expenditures	342,171	(6,793,613)	(5,019,625)	1,773,988
Other Financing Sources:				
Transfers in	656,878	619,892	622,121	2,229
Transfers out	(100,000)	(230,212)	(315,781)	(85,569)
Net Financing Sources	556,878	389,680	306,340	(83,340)
NET CHANGE IN FUND BALANCES	899,049	(6,403,933)	(4,713,285)	1,690,648
Fund Balance - Beginning Non-GAAP	14,964,624	14,964,624	14,964,624	-
Fund Balance - Ending Non-GAAP	$ 15,863,673	$ 8,560,691	$ 10,251,339	$ 1,690,648

[1] For analytical purposes, on behalf payments of $2,332,243 are not included in both the budgeted and the actual column.

OAK GROVE SCHOOL DISTRICT

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

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, 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%
July 1, 2010	-	19,504,135	19,504,135	0%	57,095,095	34.16%

OAK GROVE SCHOOL DISTRICT

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

		2015
CalSTRS		
District's proportion of the net pension liability		0.0939%
District's proportionate share of the net pension liability	$	54,897,947
State's proportionate share of the net pension liability associated with the District		33,149,751
Total	$	88,047,698
District's covered - employee payroll	$	41,368,667
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll		133%
Plan fiduciary net position as a percentage of the total pension liability		77%
CalPERS		
District's proportion of the net pension liability (asset)		0.1412%
District's proportionate share of the net pension liability (asset)	$	16,027,823
District's covered - employee payroll	$	16,089,913
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll		100%
Plan fiduciary net position as a percentage of the total pension liability		83%

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

OAK GROVE SCHOOL DISTRICT

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

		2015
CalSTRS		
Contractually required contribution	$	3,985,408
Contributions in relation to the contractually required contribution		3,985,408
Contribution deficiency (excess)	$	-
District's covered - employee payroll	$	41,368,667
Contributions as a percentage of covered - employee payroll		9.63%
CalPERS		
Contractually required contribution	$	1,841,007
Contributions in relation to the contractually required contribution		1,841,007
Contribution deficiency (excess)	$	-
District's covered - employee payroll	$	16,089,913
Contributions as a percentage of covered - employee payroll		11.44%

Note : In the future, as data become 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, 2015

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 - Reallocation Funds	84.010	14981	$ 1,437,828
Title II - Teacher Quality	84.367	14341	351,281
Title III - Limited English Proficient (LEP)	84.365	14346	430,464
Special Education Cluster			
Basic Local Assistance	84.027	13379	1,742,356
Local Assistance, Private School ISPs	84.027	10115	3,464
Mental Health Allocation Plan, Part B, Section 611	84.027A	14468	131,703
Preschool Grants	84.173	13430	75,027
Preschool Local Entitlement	84.027A	13682	137,007
Preschool Staff Development	84.173A	13431	894
Total U.S. Department of Education			4,310,024
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Department of Health Care Services:			
Medi-Cal Billing Option	93.778	10013	50,381
Total U.S. Department of Health and Human Services			50,381
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	2,075,614
Meal Supplements	10.556	13568	57,498
Especially Needy Breakfast	10.553	13526	562,212
Commodity [1]	10.555	13391	206,586
Child and Adult Care Food Program	10.558	13393	68,158
Total U.S. Department of Agriculture			2,970,068
Total Expenditures of Federal Awards			$ 7,330,473

[1]Commodities are not recorded on the financial statements.

See accompanying note to supplementary information.

OAK GROVE SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2015

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
Jacquelyn Adams	President	2018
Dennis Hawkins	Vice President/Clerk	2018
Mary Noel	Member	2016
Jeremy Nishihara	Member	2016
Carolyn Bauer	Member	2018

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, 2015

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	4,711.65	4,692.23
Fourth through sixth	3,507.21	3,494.26
Seventh and eighth	2,237.04	2,230.44
Total Regular ADA	10,455.90	10,416.93
Extended Year Special Education		
Transitional kindergarten through third	7.34	7.34
Fourth through sixth	4.46	4.46
Seventh and eighth	1.43	1.43
Total Extended Year Special Education	13.23	13.23
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	9.86	8.78
Fourth through sixth	5.81	4.99
Seventh and eighth	10.52	9.23
Total Special Education, Nonpublic, Nonsectarian Schools	26.19	23.00
Community Day School		
Seventh and eighth	12.34	13.34
Total Community Day School	12.34	13.34
Total ADA	10,507.66	10,466.50

See accompanying note to supplementary information.

OAK GROVE SCHOOL DISTRICT

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

Grade Level	1986-1987 Minutes Requirement	Reduced 1986-87 Minutes Requirements	2014-2015 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	35,000	46,800	180	In compliance
Grade 1	50,400	49,000	51,520	180	In compliance
Grade 2	50,400	49,000	51,520	180	In compliance
Grade 3	50,400	49,000	51,520	180	In compliance
Grade 4	54,000	52,500	54,180	180	In compliance
Grade 5	54,000	52,500	54,180	180	In compliance
Grade 6	54,000	52,500	54,180	180	In compliance
Grade 7	54,000	52,500	54,750	180	In compliance
Grade 8	54,000	52,500	54,750	180	In compliance

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, 2015

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2015.

See accompanying note to supplementary information.

OAK GROVE SCHOOL DISTRICT

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

	(Budget) 2016[1]	2015	2014	2013
GENERAL FUND				
Revenues	$ 108,436,434	$ 98,410,220	$ 92,736,607	$ 88,259,586
Other sources and transfers in	-	622,121	881,218	411,206
Total Revenues and Other Sources	-	99,032,341	93,617,825	88,670,792
Expenditures	103,348,505	103,429,845	93,033,848	90,570,359
Other uses and transfers out	369,943	315,781	-	101,875
Total Expenditures and Other Uses	103,718,448	103,745,626	93,033,848	90,672,234
INCREASE (DECREASE) IN FUND BALANCE	$ 5,457,872	$ (4,713,285)	$ 583,977	$ (2,001,442)
ENDING FUND BALANCE	$ 15,709,208	$ 10,251,339	$ 14,964,624	$ 14,380,647
AVAILABLE RESERVES [2]	$ 10,695,044	$ 8,351,765	$ 9,241,599	$ 11,230,926
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO[3]	10.31%	8.70%	9.93%	12.40%
LONG-TERM OBLIGATIONS	$ 276,130,035	$ 281,129,088	$ 138,773,183	$ 137,352,618
K-12 AVERAGE DAILY ATTENDANCE AT P-2	10,344	10,508	10,824	10,986

The General Fund balance has decreased by $4,129,308 over the past two years. The fiscal year 2015-2016 budget projects an increase of $5,457,872. 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 surplus during the 2015-2016 fiscal year. Total long-term obligations have increased by $143,776,470 over the past two years.

Average daily attendance has decreased by 478 ADA over the past two years. Average daily attendance is anticipated to decrease by 164 ADA during fiscal year 2015-2016.

[1] Budget 2016 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.
[3] On-behalf payments of $ 2,332,243, $2,247,103, and $2,125,525, have been excluded from the calculation of available reserves percentage for fiscal years ending June 30, 2015, 2014 and 2013.

See accompanying note to supplementary information.

OAK GROVE SCHOOL DISTRICT

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

	Cafeteria Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Tax Override Fund	Total Non-Major Governmental Funds
ASSETS					
Deposits and investments	$ 231,245	$ 500,099	$ 10,359,127	$ (7,913)	$ 11,082,558
Receivables	481,962	681	11,049	-	493,692
Due from other funds	55,402	-	-	7,913	63,315
Total Assets	$ 768,609	$ 500,780	$ 10,370,176	$ -	$ 11,639,565
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 131,320	$ -	$ -	$ -	$ 131,320
Due to other funds	232,846	-	-	-	232,846
Unearned revenue	57,799	-	-	-	57,799
Total Liabilities	421,965	-	-	-	421,965
Fund Balances:					
Restricted	346,644	-	10,370,176	-	10,716,820
Assigned	-	500,780	-	-	500,780
Total Fund Balances	346,644	500,780	10,370,176	-	11,217,600
Total Liabilities and Fund Balances	$ 768,609	$ 500,780	$ 10,370,176	$ -	$ 11,639,565

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, 2015

	Cafeteria Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Tax Override Fund	Total Non-Major Governmental Funds
REVENUES					
Federal sources	$ 2,763,483	$ -	$ 80,345	$ -	$ 2,843,828
Other state sources	222,046	-	49,425	(2)	271,469
Other local sources	1,136,581	31,778	6,046,226	(15,971)	7,198,614
Total Revenues	4,122,110	31,778	6,175,996	(15,973)	10,313,911
EXPENDITURES					
Current					
Pupil services:					
Food services	4,050,841	-	-	-	4,050,841
General administration:					
All other general administration	230,706	11,915	-	-	242,621
Plant services	82	-	-	-	82
Debt service					
Principal	-	-	2,910,000	-	2,910,000
Interest and other	-	-	2,878,348	-	2,878,348
Total Expenditures	4,281,629	11,915	5,788,348	-	10,081,892
Excess (Deficiency) of Revenues Over Expenditures	(159,519)	19,863	387,648	(15,973)	232,019
Other Financing Sources					
Transfers in	54,809	-	261,000	7,913	323,722
Other sources	-	-	5,188,014	-	5,188,014
Net Financing Sources	54,809	-	5,449,014	7,913	5,511,736
NET CHANGE IN FUND BALANCES	(104,710)	19,863	5,836,662	(8,060)	5,743,755
Fund Balance - Beginning	451,354	480,917	4,533,514	8,060	5,473,845
Fund Balance - Ending	$ 346,644	$ 500,780	$10,370,176	$ -	$11,217,600

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 the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

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		$ 7,204,233
Federal subsidy for Build America Bonds not recorded on the SEFA	not available	(80,346)
Commodities not recorded on the financial statements	10.555	206,586
Total Schedule of Expenditures of Federal Awards.		$ 7,330,473

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, 2015

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

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, 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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 14, 2015. Our report included an emphasis of matter regarding the District's implementation of GASB Statement No. 68, *Accounting and Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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Compliance and Other Matters

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

Purpose of This Report

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

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
December 14, 2015

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

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

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 requirements described in the *OMB Circular A-133 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, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
December 14, 2015

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 *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the District's State government programs as noted below for the year ended June 30, 2015.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2014-15 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of the District's compliance with those requirements.

Unmodified Opinion on Each of the Programs

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

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

	Procedures Performed
Attendance Accounting:	
Attendance Reporting	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
Regional Occupational Centers or Programs Maintenance of Effort	No, see below
Adult Education Maintenance of Effort	No, see below
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Common Core Implementation Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Charter Schools:	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

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

The District did not offer Continuation Education program, Early Retirement Incentive, Juvenile Court Schools, Middle or Early college High schools, Regional Occupational Centers, Adult Education, Before School Education and Safety program or Charter Schools programs, therefore, we did not perform procedures related to them.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
December 14, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

OAK GROVE SCHOOL DISTRICT

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

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 .510(a) of OMB Circular A-133?	No
Identification of major federal programs:	

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555, 10.556	Child Nutrition Cluster
84.365	English Language Acquisition State Grants

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000
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, 2015

None reported.

OAK GROVE SCHOOL DISTRICT

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

None reported.

OAK GROVE SCHOOL DISTRICT

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

None reported.

OAK GROVE SCHOOL DISTRICT

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

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