

GOLD OAK UNION SCHOOL DISTRICT
COUNTY OF EL DORADO
PLACERVILLE, CALIFORNIA

ANNUAL FINANCIAL REPORT

JUNE 30, 2019

GOLD OAK UNION SCHOOL DISTRICT

JUNE 30, 2019

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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Gold Oak Union School District
Placerville, California

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gold Oak Union School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Gold Oak Union School 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Gold Oak Union School District, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12, budgetary comparison information on page 55, and accounting by employer for postemployment benefits and pensions on pages 56 through 58 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Gold Oak Union School District's basic financial statements. The introductory, financial, and statistical information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory, financial, and statistical information listed as supplementary information in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the introductory, financial, and statistical information listed as supplementary information in the table of contents 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*, I have also issued my report dated October 7, 2019, on my consideration of Gold Oak Union School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Gold Oak Union School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gold Oak Union School District's internal control over financial reporting and compliance.



MICHELLE M. HANSON
Certified Public Accountant

October 7, 2019

GOLD OAK UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The discussion and analysis of Gold Oak Union School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the District's financial performance as a whole. To provide a complete understanding of the District's financial performance, please read it in conjunction with the Independent Auditor's Report on page 1, notes to the basic financial statements and the District's financial statements, as listed in the table of contents.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

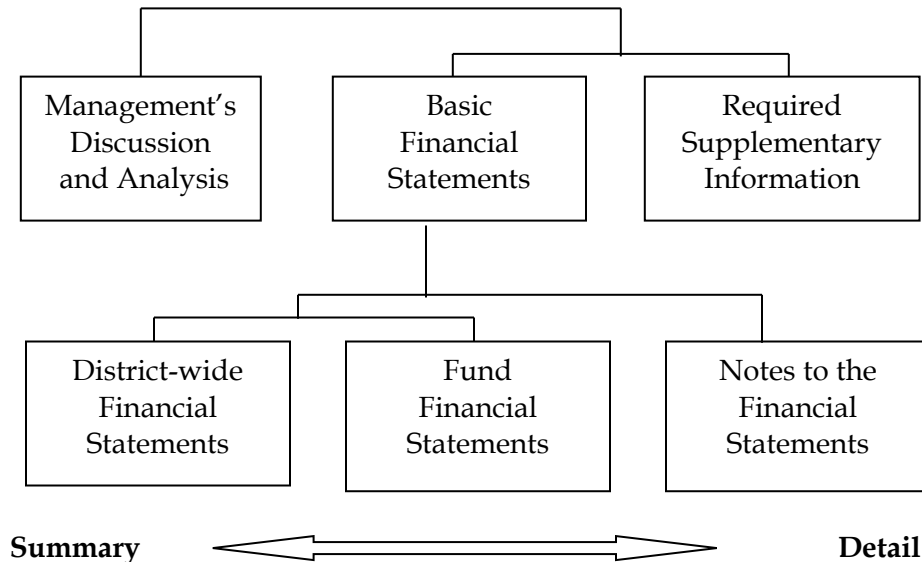
- P-2 average daily attendance (ADA) decreased by 4 from 2017-2018 to 2018-2019.
- General Fund unrestricted fund balance decreased over 2% (\$10 thousand) in 2018-19. This level of deficit spending is a decrease when compared to 2017-2018 when the unrestricted fund balance decreased 30% (\$202 thousand).
- In complying with GASB Statement No. 34, fixed assets are valued at historical cost. The total of the District's fixed assets, land, site, buildings, and equipment, valued on an acquisition cost basis was \$10.6 million. After depreciation, the June 30, 2019 book value for fixed assets totaled \$3.8 million.
- In complying with GASB Statement No. 68, the District recognized its portion of the unfunded STRS and PERS pension liabilities for the first time in 2014-2015. The District's portion of the unfunded STRS and PERS pension liability, based on the most recent actuarial valuations, increased \$522 thousand in 2018-2019 and is reported in the Statement of Net Position.

GOLD OAK UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information. These statements are organized so the reader can understand the Gold Oak Union School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

Components of the Financial Section



The first two statements are *district-wide financial statements*, the Statement of Net Position and Statement of Activities. These statements provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's more significant funds with all other non-major funds presented in total in one column. A comparison of the District's general fund budget is included.

GOLD OAK UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Components of the Financial Section (Concluded)

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

These two statements provide information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities using the accrual basis of accounting. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid. These statements report information on the district as a whole and its activities in a way that helps answer the question, "How did we do financially during 2018-2019?"

These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Over time, the increases or decreases in the District's net position, as reported in the Statement of Activities, are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses indicates the District's operating results. However, the District's goal is to provide services to my students, not to generate profits as commercial entities. One must consider many other non-financial factors, such as the quality of education provided and the safety of the schools to assess the overall health of the District.

- ◆ Increases or decreases in the net position of the District over time are indications of whether its financial position is improving or deteriorating, respectively.
- ◆ Additional non-financial factors such as condition of school buildings and other facilities, and changes to the property tax base of the District need to be considered in assessing the overall health of the District.

GOLD OAK UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (CONCLUDED)

Reporting the School District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by State law. However, the District establishes other funds to control and manage money for specific purposes.

◆ Governmental Funds

Most of the District's activities are reported in governmental funds. The major governmental funds of the District are the General Fund, the Bond Interest and Redemption Fund and the Capital Facilities Fund. Governmental funds focus on how money flows into and out of the funds and the balances that remain at the end of the year. They 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 operations and services that help determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

◆ Fiduciary Funds

The District is the trustee, or fiduciary, for its student activity fund. All of 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.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

The School District as a Whole

The District's net position was a deficit \$2.4 million at June 30, 2019. Of this amount a deficit \$4.4 million was unrestricted. Net investments in capital assets, account for \$1.5 million of the total net position. A comparative analysis of government-wide data is presented in Table 1.

GOLD OAK UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONTINUED)

The School District as a Whole (Concluded)

**Comparative Statement of Net Position
Table 1**

	Governmental Activities	
	2019	2018
ASSETS		
Cash	\$ 903,213	\$ 862,374
Receivables	188,055	71,505
Stores inventory	1,558	1,683
Prepaid expenditures	3,000	1,133
Capital assets	3,787,944	4,093,844
Total assets	4,883,770	5,030,539
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows on other postemployment benefits	136,726	165,142
Deferred outflows on pensions	1,460,916	1,255,817
Total deferred outflows of resources	1,597,642	1,420,959
LIABILITIES		
Accounts payable and other current liabilities	99,738	98,557
Unearned revenue	4,001	12,015
Long-term liabilities	8,241,537	7,920,288
Total liabilities	8,345,276	8,030,860
DEFERRED INFLOWS OF RESOURCES		
Deferred outflows on other postemployment benefits	36,911	
Deferred inflows on pensions	464,261	546,428
Total deferred inflows of resources	501,172	546,428
NET POSITION		
Net investment in capital assets	1,460,600	1,646,500
Restricted	563,032	381,835
Unrestricted (deficit)	(4,388,668)	(4,154,125)
Total net position (deficit)	\$ (2,365,036)	\$ (2,125,790)

GOLD OAK UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONTINUED)

The District's net position decreased \$239 thousand this fiscal year (See Table 2). The District's expenses for instruction, instruction related services and pupil services represented 68% of total expenses. The purely administrative activities of the District accounted for just 11% of total costs. The remaining 21% was spent in the areas of plant services, depreciation, interest on long-term debt and other outgo. (See Figure 2).

**Comparative Statement of Change in Net Position
Table 2**

	Governmental Activities	
	2019	2018
REVENUES		
Program revenues	\$ 754,925	\$ 605,384
General revenues		
Taxes levied for general purposes	1,840,778	1,797,187
Taxes levied for debt service	244,350	242,220
Federal and State aid not restricted to specific purposes	2,479,405	2,283,690
Interest and investment earnings	10,695	7,795
Interagency revenues	53,153	45,288
Miscellaneous	83,305	93,695
Total revenues	<u>5,466,611</u>	<u>5,075,259</u>
EXPENSES		
Instruction	2,666,900	2,428,429
Instruction related services	494,881	463,783
Pupil support services	688,600	600,115
General administration	634,860	652,713
Plant services	612,478	614,621
Other	608,138	626,395
Total expenses	<u>5,705,857</u>	<u>5,386,056</u>
Decrease in net position	<u>\$ (239,246)</u>	<u>\$ (310,797)</u>

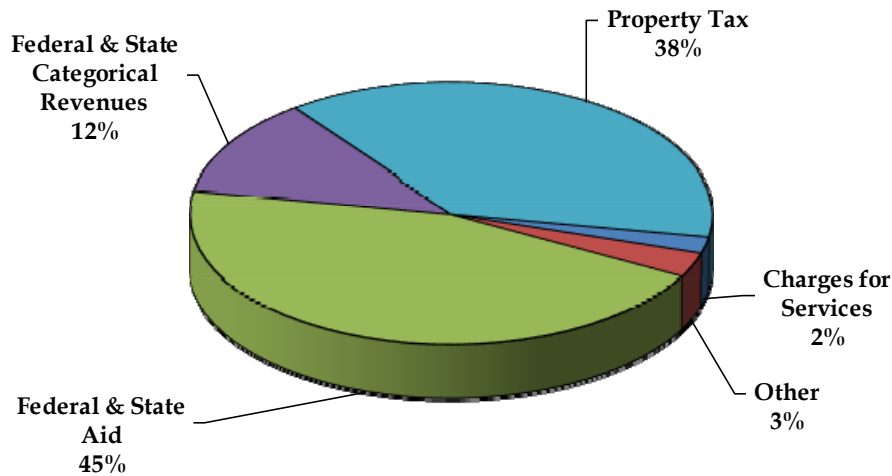
GOLD OAK UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS (CONCLUDED)

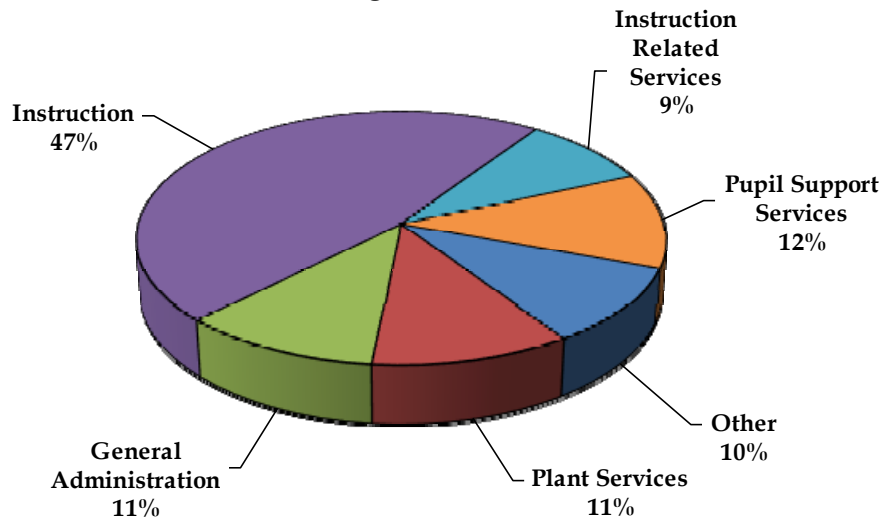
Governmental Activities

As reported in the Statement of Activities, the cost of all of the District's governmental activities this year was \$5.7 million. The amount that local taxpayers financed for these activities through property taxes was \$2.1 million. Federal and State aid not restricted to specific purposes totaled \$2.5 million. State and Federal Categorical revenue totaled over \$647 thousand, 12% of the revenue of the entire District (See Figure 1).

**Sources of Revenue for the 2018-2019 Fiscal Year
Figure 1**



**Expenses for the Fiscal Year 2018-2019
Figure 2**



GOLD OAK UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

FINANCIAL ANALYSIS OF THE FUND STATEMENTS

The fund financial statements focus on individual parts of the District's operations in more detail than the government-wide statements. The District's individual fund statements provide information on inflows and outflows and balances of spendable resources. The District's Governmental Funds reported a combined fund balance of \$1.0 million, an increase of \$164 thousand from the previous fiscal year. The General Fund increased by \$107 thousand.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget as necessary. The significant budget adjustments fell into the following categories:

- ◆ Budget revisions to the adopted budget required after approval of the State budget.
- ◆ Budget revisions to update revenues to actual enrollment information and to update expenditures for staffing adjustments related to actual enrollments.
- ◆ Adjustments required to reflect the mid-year State cuts in revenues.
- ◆ Other budget revisions are routine in nature, including adjustments to categorical revenues and expenditures based on final awards, and adjustments between expenditure categories for school and department budgets.

The final revised budget for the General Fund reflected a net increase to the ending balance of \$107 thousand.

The District ended the year with \$653 thousand in the General Fund ending balance, of which \$242 thousand is considered the reserve for economic uncertainties. The State recommends a minimum ending available reserve of 4% of total expenditures and other outgo (\$203 thousand) or \$67,000, whichever is greater. The District's available reserve for 2018-2019 was 4.8%.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of the 2018-2019 fiscal year, the District had invested \$10.6 million in a broad range of capital assets, including school buildings, athletic facilities, administrative buildings, site improvements, vehicles, and equipment. The capital assets net of depreciation was \$3.8 million at June 30, 2019, which is a decrease of \$306 thousand from the previous year.

GOLD OAK UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

CAPITAL ASSET AND DEBT ADMINISTRATION (CONCLUDED)

Capital Assets (Concluded)

**Comparative Schedule of Capital Assets
(net of depreciation)
June 30, 2019 and 2018
Table 3**

	2019	2018	Difference Increase (Decrease)
Land	\$ 227,850	\$ 227,850	
Site Improvements	1,502,455	1,634,556	\$ (132,101)
Buildings	1,737,570	1,874,443	(136,873)
Machinery and Equipment	82,647	122,318	(39,671)
Work in Process	237,422	234,677	2,745
Totals	<u>\$ 3,787,944</u>	<u>\$ 4,093,844</u>	<u>\$ (305,900)</u>

The District continued the lighting and HVAC projects being funded by the California Clean Energy Jobs Act, Proposition 39 program. The District disposed of a two-door refrigerator and recognized depreciation expense of \$309 thousand in 2018-2019.

Long-Term Debt

At June 30, 2019, the District had \$8.2 million in long-term debt outstanding.

**Comparative Schedule of Outstanding Debt
June 30, 2019 and 2018
Table 4**

	2019	2018
General Obligation Bonds	\$ 2,327,344	\$ 2,447,344
Accreted Interest	632,706	533,148
Other Post-employment Benefits	507,748	608,756
Early Retirement Incentives	134,567	212,202
Compensated Absences	2,730	4,278
Net Pension Liability	4,636,442	4,114,560
Totals	<u>\$ 8,241,537</u>	<u>\$ 7,920,288</u>

The general obligation bonds will be paid from the Bond Interest and Redemption Fund. The employee benefit related liabilities are expected to be paid primarily from the General Fund.

GOLD OAK UNION SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Local Control Funding Formula (LCFF) is aimed at correcting historical inequities while decreasing previous constraints on restricted program expenses. The formula is intended to make funding more transparent and simple. With the flexibility also come requirements for accountability. The Local Control Accountability Plan (LCAP) is mandated and must be aligned and adopted with the District's budget. The LCAP is expected to describe how the District intends to meet annual goals for all pupils, with specific activities to address state and local priorities identified during the LCAP development process.

The challenge is trying to project changes in expenditures that are likely, and yet not known with certainty, such as STRS/PERS rates, technology related costs, maintenance costs and special education costs. Subsequent year projections are based on variables that are entirely outside the control of the District, including the actions of current and future elected officials and the direction of the global, national and state economy.

Future predictions and uncertainties require management to plan carefully and prudently to provide the necessary resources to meet student's needs and continue to keep pace with inflation increases over the next several years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide my citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact, Linda Himmel, Chief Business Official; Gold Oak Union School District; 3171 Pleasant Valley Road, Placerville, California, 95667.

GOLD OAK UNION SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2019

	Governmental Activities
ASSETS	
Cash (Note 2)	\$ 903,213
Accounts Receivable (Note 3)	188,055
Stores Inventory (Note 1H)	1,558
Prepaid Expenses (Note 1H)	3,000
Capital Assets, Net of Depreciation (Note 5)	<u>3,787,944</u>
Total Assets	<u>4,883,770</u>
DEFERRED OUTFLOWS OF RESOURCES (NOTE 1H)	
Deferred Outflows on Other Postemployment Benefits (Note 9)	136,726
Deferred Outflows on Pensions (Note 10)	<u>1,460,916</u>
Total Deferred Outflows of Resources	<u>1,597,642</u>
LIABILITIES	
Accounts Payable and Other Current Liabilities	99,738
Unearned Revenue (Note 1H)	4,001
Long-term Liabilities (Note 6)	
Due Within One Year	209,193
Due After One Year	<u>8,032,344</u>
Total Liabilities	<u>8,345,276</u>
DEFERRED INFLOWS OF RESOURCES (NOTE 1H)	
Deferred Inflows on Other Postemployment Benefits (Note 9)	36,911
Deferred Inflows on Pensions (Note 10)	<u>464,261</u>
Total Deferred Inflows of Resources	<u>501,172</u>
NET POSITION	
Net Investment in Capital Assets	1,460,600
Restricted For:	
Capital Projects	163,428
Debt Service	196,401
Education Programs	200,645
Other Purposes (Expendable)	2,558
Unrestricted (Deficit)	<u>(4,388,668)</u>
Total Net Position (Deficit)	<u>\$ (2,365,036)</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

GOLD OAK UNION SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

		Program Revenues		Net (Expense)
				Revenue and
				Changes in Net
				Position
<u>Governmental Activities</u>	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Governmental</u>
		<u>Services</u>	<u>Grants and</u>	<u>Activities</u>
			<u>Contributions</u>	
Instruction	\$ 2,666,900	\$ 26,138	\$ 362,475	\$ (2,278,287)
Instruction-Related Services:				
Supervision of Instruction	16,046		14,753	(1,293)
Instructional Library, Media				
and Technology	39,244		1,632	(37,612)
School Site Administration	439,591		19,251	(420,340)
Pupil Services:				
Home-To-School Transportation	316,545		5,910	(310,635)
Food Services	220,662	50,717	108,316	(61,629)
All Other Pupil Services	151,393		40,532	(110,861)
General Administration:				
Data Processing	80,110		3,672	(76,438)
All Other General Administration	554,750	24,888	54,166	(475,696)
Plant Services	612,478		17,734	(594,744)
Ancillary Services	18,248		58	(18,190)
Community Services	684	5,641	791	5,748
Interest on Long-Term Debt	214,222			(214,222)
Other Outgo	129,578		18,251	(111,327)
Depreciation (unallocated)*	245,406			(245,406)
Total Governmental Activities	<u>\$ 5,705,857</u>	<u>\$ 107,384</u>	<u>\$ 647,541</u>	<u>(4,950,932)</u>
General Revenues:				
Property Taxes Levied For:				
General Purposes				1,840,778
Debt Service				244,350
Federal and State Aid Not Restricted to Specific Purposes				2,479,405
Interest and Investment Earnings				10,695
Interagency Revenues				53,153
Miscellaneous				83,305
Total General Revenues				<u>4,711,686</u>
Change (Decrease) in Net Position				(239,246)
Net Position Beginning (Deficit)				<u>(2,125,790)</u>
Net Position Ending (Deficit)				<u>\$ (2,365,036)</u>

* This amount excludes depreciation that is included in the direct expenses of various programs.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

GOLD OAK UNION SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Bond Interest and Redemption Fund	Capital Facilities Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash (Note 2)	\$ 529,337	\$ 196,401	\$ 163,428	\$ 23,509	\$ 912,675
Accounts Receivable (Note 3)	173,189			14,866	188,055
Stores Inventory (Note 1H)				1,558	1,558
Prepaid Expenditures (Note 1H)	3,000				3,000
Total Assets	<u>\$ 705,526</u>	<u>\$ 196,401</u>	<u>\$ 163,428</u>	<u>\$ 39,933</u>	<u>\$ 1,105,288</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Deficit Cash (Note 2)				\$ 9,462	\$ 9,462
Accounts Payable	\$ 52,540				52,540
Unearned Revenue (Note 1H)				4,001	4,001
Total Liabilities	<u>52,540</u>			<u>13,463</u>	<u>66,003</u>
Fund Balances (Note 1H):					
Nonspendable	4,625			2,558	7,183
Restricted	200,645	\$ 196,401	\$ 163,428		560,474
Committed				23,912	23,912
Assigned	205,508				205,508
Unassigned	242,208				242,208
Total Fund Balances	<u>652,986</u>	<u>196,401</u>	<u>163,428</u>	<u>26,470</u>	<u>1,039,285</u>
Total Liabilities and Fund Balances	<u>\$ 705,526</u>	<u>\$ 196,401</u>	<u>\$ 163,428</u>	<u>\$ 39,933</u>	<u>\$ 1,105,288</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

GOLD OAK UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019

Total fund balance - governmental funds	\$	1,039,285
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets: In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.

Capital assets, at historical cost	\$	10,591,412	
Accumulated depreciation		(6,803,468)	
Net		3,787,944	

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmaturing interest owing at the end of the period was:

(47,198)

Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

General obligation bonds	\$	2,327,344	
Accreted interest		632,706	
Other post-employment benefits		507,748	
Net pension liability		4,636,442	
Early retirement incentives		134,567	
Compensated absences		2,730	
Total		(8,241,537)	

Deferred outflows and inflows of resources relating to pensions and other postemployment benefits (OPEB): In governmental funds, deferred outflows and inflows of resources relating to pensions and OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions and OPEB are reported.

Deferred outflows of resources relating to OPEB	\$	136,726	
Deferred outflows of resources relating to pensions		1,460,916	
Deferred inflows of resources relating to OPEB		(36,911)	
Deferred inflows of resources relating to pensions		(464,261)	
Net		1,096,470	

Total net position (deficit) - governmental activities	\$	(2,365,036)
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

GOLD OAK UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund	Bond Interest and Redemption Fund	Capital Facilities Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Local Control Funding Formula Sources					
State Apportionments	\$ 2,399,358			\$ 30,000	\$ 2,429,358
Local Sources	<u>1,706,687</u>				<u>1,706,687</u>
Total Local Control Funding Formula Sources	4,106,045			30,000	4,136,045
Federal Revenue	163,967			103,686	267,653
Other State Revenue	656,026			7,005	663,031
Other Local Revenue	<u>266,340</u>	<u>\$ 246,129</u>	<u>\$ 56,767</u>	<u>53,880</u>	<u>623,116</u>
Total Revenues	<u>5,192,378</u>	<u>246,129</u>	<u>56,767</u>	<u>194,571</u>	<u>5,689,845</u>
EXPENDITURES					
Certificated Salaries	1,829,766				1,829,766
Classified Salaries	812,221			74,056	886,277
Employee Benefits	1,500,668			29,342	1,530,010
Books and Supplies	183,978			75,884	259,862
Services and Other					
Operating Expenditures	594,541		1,802	50,778	647,121
Capital Outlay	<u>2,744</u>				<u>2,744</u>
Debt Service:					
Principal Retirement		120,000			120,000
Interest and Fiscal Charges		116,664		262	116,926
Other Outgo	<u>118,965</u>			<u>14,210</u>	<u>133,175</u>
Total Expenditures	<u>5,042,883</u>	<u>236,664</u>	<u>1,802</u>	<u>244,532</u>	<u>5,525,881</u>
Excess of Revenues Over (Under) Expenditures	<u>149,495</u>	<u>9,465</u>	<u>54,965</u>	<u>(49,961)</u>	<u>163,964</u>
Other Financing Sources (Uses):					
Operating Transfers In (Note 4)				42,772	42,772
Operating Transfers Out (Note 4)	<u>(42,772)</u>				<u>(42,772)</u>
Total Other Financing Sources (Uses)	<u>(42,772)</u>	<u>0</u>	<u>0</u>	<u>42,772</u>	<u>0</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	106,723	9,465	54,965	(7,189)	163,964
Fund Balances - July 1, 2018	<u>546,263</u>	<u>186,936</u>	<u>108,463</u>	<u>33,659</u>	<u>875,321</u>
Fund Balances - June 30, 2019	<u>\$ 652,986</u>	<u>\$ 196,401</u>	<u>\$ 163,428</u>	<u>\$ 26,470</u>	<u>\$ 1,039,285</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

GOLD OAK UNION SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Net change in fund balances - total governmental funds	\$	163,964
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlay: In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. Depreciation expense for the period was:

Expenditures for capital outlay:	\$	2,745	
Depreciation expense:		(308,645)	
Net:			(305,900)

Pensions: In government funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was:

(234,616)

Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In government-wide statements, repayments of long-term debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were:

120,000

Unmatured interest on long-term debt: In governmental funds, interest on long-term debt is recognized in the period that it becomes due. In the government-wide statement of activities, it is recognized in the period that it is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period was:

(97,558)

Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and compensated absences earned was:

1,548

Postemployment benefits other than pensions (OPEB): In governmental funds, OPEB expenses are recognized when employer contributions are made. In the statement of activities, OPEB expenses are recognized on the accrual basis. This year, the difference between OPEB expenses and actual employer contributions was:

35,681

Other expenditures relating to prior periods: Certain expenditures recognized in governmental funds relate to prior periods. Expenditures relating to early retirement incentives offered in prior periods were:

77,635

Total change (decrease) in net position - governmental activities	\$	(239,246)
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

GOLD OAK UNION SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	<u>Agency Fund</u>
ASSETS	
Cash (Note 2)	<u>\$ 7,350</u>
Total Assets	<u><u>\$ 7,350</u></u>
LIABILITIES	
Due to Student Groups	<u>\$ 7,350</u>
Total Liabilities	<u><u>\$ 7,350</u></u>
Total Net Position	<u><u>\$ 0</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

GOLD OAK UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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 Gold Oak Union School District, this includes general operations, food service and student related activities of the District. The District has considered all potential component units in determining how to define the reporting entity, using criteria set forth in generally accepted accounting principles. The District determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District.

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

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

GOLD OAK UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Concluded)

Fund Financial Statements:

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

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

Fiduciary funds are reported using the economic resources measurement focus and the modified accrual basis of accounting.

C. Basis of Accounting

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

Revenues - exchange and non-exchange transactions:

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied.

GOLD OAK UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Concluded)

Revenues - exchange and non-exchange transactions (Concluded):

Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue:

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

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. Expenditures incurred in the unrestricted resources shall be reduced first from the committed resources, then from assigned resources and lastly, the unassigned resources.

D. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The District reports the following major funds:

GOLD OAK UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Concluded)

General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Bond Interest and Redemption Fund is used to account for the accumulation of recourses for, and the repayment of, District bonds, interest and related costs.

Capital Facilities Fund is used to account for resources received from developer impact fees assessed under the provisions of the California Environmental quality Act (CEQA). Expenditures are restricted to the purposes specified in Government Code Sections 65970-65981.

Additionally, the District reports the following fund type:

Fiduciary Funds are agency funds used to account for assets of others for which the District acts as an agent. The District maintains a student body fund, which is used to account for the raising and expending of money to promote the general welfare, morale, and educational experience of the student body. Agency funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time.

E. Budgets and Budgetary Accounting

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

These budgets are revised by the District's Board of Trustees and District Superintendent during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund as required supplementary information in the financial statements.

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

F. Encumbrances

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

GOLD OAK UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. 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.

H. Assets, Liabilities and Equity

1. Deposits and Investments

Cash balances held in commercial bank accounts are insured to \$250,000 by the Federal Deposit Insurance Corporation.

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

The county is authorized to deposit cash and invest excess funds by California *Government Code* Section 53648 et seq. The funds maintained by the county either are secured by federal depository insurance or are collateralized.

Investments Valuation - In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 72, *Fair Value Measurement and Application*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available. However, the District's financial statements do not reflect the fair value of investments as the differences between total investment cost and fair value has been determined to be immaterial.

2. Stores Inventory and Prepaid Expenditures

Inventories are recorded using the consumption method, in that inventory acquisitions are initially recorded in inventory (asset) accounts, and are charged as expenditures when used. Reported inventories are equally offset by nonspendable fund balance, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets. The District's stores inventory reported in the Cafeteria Fund is valued First-in-First-out (FIFO).

GOLD OAK UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

2. Stores Inventory and Prepaid Expenditures (Concluded)

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

3. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over an estimated useful life of 5-50 years depending on the asset class.

4. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and, as such, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and, as such, will not be recognized as an inflow of resources (revenue) until that time.

5. Unearned Revenue

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

GOLD OAK UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

6. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the California State Teachers Retirement Plan (STRP) and the CalPERS Schools Pool Cost-Sharing Multiple Employer Plan (PERF B) and additions to/deductions from STRP and PERF B fiduciary net positions have been determined on the same basis as they are reported separately by CalSTRS and CalPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

Gains and losses related to changes in total pension liability are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

7. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

GOLD OAK UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

7. Other Postemployment Benefits (OPEB) (Concluded)

Generally accepted accounting principles require the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over five years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

8. Compensated Absences

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

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken, since such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

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

GOLD OAK UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

9. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

10. Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Position - This amount is all net position that do not meet the definition of "net investment in capital assets" or "restricted net position".

11. Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District's policy is to apply restricted net position first.

12. Fund Equity

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned, based primarily on the extent to which the District is bound to honor constraints on how specific amounts are to be spent:

Nonspendable Fund Balance - Includes the portions of fund balance not appropriate for expenditures.

Restricted Fund Balance - Includes amounts subject to externally imposed and legally enforceable constraints.

Committed Fund Balance - Includes amounts subject to District constraints self-imposed by formal action of the District Governing Board.

GOLD OAK UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

12. Fund Equity (Continued)

Assigned Fund Balance - Includes amounts the District intends to use for a specific purpose. Assignments may be established by the District Governing Board, or the Superintendent of the District with the recommendation of the Chief Business Official and confirmed by the Governing Board.

Unassigned Fund Balance - Includes the residual balance that has not been assigned to other funds and is not restricted, committed, or assigned to specific purposes.

Fund Balances

The District's fund balances at June 30, 2019 consisted of the following:

	General Fund	Bond Interest and Redemption Fund	Capital Facilities Fund	Other Governmental Funds	Total
Nonspendable:					
Revolving Fund	\$ 1,625			\$ 1,000	\$ 2,625
Stores Inventory				1,558	1,558
Prepaid Expenditures	3,000				3,000
Total Nonspendable Fund Balance	<u>4,625</u>			<u>2,558</u>	<u>7,183</u>
Restricted For:					
Legally Restricted Categorical Funding	200,645				200,645
Debt Service		\$ 196,401			196,401
Purposes Specified in Government Code Sections 65970-65981			\$ 163,428		163,428
Total Restricted Fund Balance	<u>200,645</u>	<u>196,401</u>	<u>163,428</u>	<u>0</u>	<u>560,474</u>
Committed For:					
Future Maintenance Projects				23,912	23,912
Total Committed Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>23,912</u>	<u>23,912</u>
Assigned For:					
Compensated Absences	2,730				2,730
Retirement Incentives	134,567				134,567
Site Carryover	10,339				10,339
Program Carryover	3,175				3,175
Technology Reserve	13,819				13,819
Instructional Materials Reserve	40,878				40,878
Total Assigned Fund Balance	<u>205,508</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>205,508</u>
Unassigned:					
Reserve for Economic Uncertainties	242,208				242,208
Total Unassigned Fund Balance	<u>242,208</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>242,208</u>
Total Fund Balances	<u>\$ 652,986</u>	<u>\$ 196,401</u>	<u>\$ 163,428</u>	<u>\$ 26,470</u>	<u>\$ 1,039,285</u>

GOLD OAK UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Continued)

12. Fund Equity (Concluded)

Fund Balance Policy

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain unrestricted fund balance in its General Fund sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature.

The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels because of temporary revenue shortfalls or unpredicted one-time expenditures.

The District has adopted a policy to achieve and maintain a minimum assigned and unassigned fund balance in the General Fund of 17% of total General Fund expenditures, other uses and transfers out at the close of each fiscal year to maintain fiscal solvency and stability and to protect the District against unforeseen circumstances.

Additional detailed information, along with the complete *Fund Balance Policy* can be obtained from the District.

13. Local Control Funding Formula/Property Tax

The District's local control funding formula revenue is received from a combination of local property taxes, state apportionments, and other local sources.

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

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

GOLD OAK UNION SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Assets, Liabilities and Equity (Concluded)

13. Local Control Funding Formula/Property Tax (Concluded)

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

The California Department of Education reduces the District's entitlement by the District local property tax revenue. The balance is paid from the state General Fund, and is known as the State Apportionment.

The District's Local Control Funding Formula Revenue is the amount of general-purpose tax revenue, per average daily attendance (ADA), that the District is entitled to by law. This amount is multiplied by the second period ADA to derive the District's total entitlement.

I. Impact of Recently Issued Accounting Pronouncements

The GASB issued Statement 84, *Fiduciary Activities* in January, 2017. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The Statement is effective beginning in fiscal year 2019-2020. The District has not yet determined the impact on the financial statements.

The GASB issued Statement 87, *Leases* in June, 2017. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement is effective beginning in fiscal year 2020-2021. The District has not yet determined the impact on the financial statements.

The GASB issued Statement 88, *Certain Disclosure Related to Debt, including Direct Borrowings and Direct Placements* in April, 2018. The primary objective of this Statement is to improve the information disclosed in notes to the government financial statements related to debt, providing users of financial statements with essential information that currently is not consistently provided. The Statement is effective beginning in fiscal year 2018-2019. The District has implemented GASB Statement 88 for the fiscal year ended June 30, 2019 as applicable.

GOLD OAK UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

I. Impact of Recently Issued Accounting Pronouncements (Concluded)

The GASB has also issued Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* (June, 2018), Statement 90, *Majority Equity Interests* (August, 2018) and Statement 91, *Conduit Debt Obligations* (May, 2019). These Statements are effective for reporting periods beginning after December 15, 2019, December 15, 2018 and December 15, 2020 respectively, but are not expected to have any impact on the District's financial statements.

NOTE 2 - CASH

A. Summary of Cash

The following is a summary of cash at June 30, 2019:

<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
<u>\$903,213</u>	<u>\$7,350</u>	<u>\$910,563</u>

The District had the following cash at June 30, 2019:

	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Credit Quality Rating</u>
<u>Cash</u>			
Cash in Commercial Banks	\$ 7,350	\$ 7,350	Not Rated
Cash in Revolving Fund	2,625	2,625	Not Rated
Cash in County Treasury (net of \$9,462 deficit cash)	<u>901,851</u>	<u>900,588</u>	Not Rated
Total Cash	<u>\$ 911,826</u>	<u>\$ 910,563</u>	

B. Policies and Practices

The District is authorized by State statutes and in accordance with the District's Investment Policy (Policy) to invest in the following:

GOLD OAK UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 2 - CASH (CONTINUED)

B. Policies and Practices (Concluded)

- Securities issued or guaranteed by the Federal Government or its agencies
- State Local Agency Investment Fund (LAIF)
- Insured and/or collateralized certificates of deposit

The Policy, in addition to State statutes, establishes that funds on deposit in banks must be federally insured or collateralized and investments shall (1) have maximum maturity not to exceed five years, (2) be laddered and based on cash flow forecasts; and (3) be subject to limitations to a certain percent of the portfolio for each of the authorized investments. The District's investments comply with the established policy.

Cash in Banks and in Revolving Fund

Cash balances held in commercial bank accounts are insured to \$250,000 by the Federal Deposit Insurance Corporation. These amounts are held within various financial institutions. As of June 30, 2019, the carrying amount of the District's accounts was \$9,975 all of which was insured.

Cash in County Treasury

In accordance with *Education Code* Section 41001, the District maintains substantially all of its cash with the County Treasury as an involuntary participant of a common investment pool, which totaled \$513,964,064. The fair market value of this pool as of that date, as provided by the pool sponsor, was \$514,685,048. Interest is deposited into participating funds. The balance available for withdrawal is based on the accounting records maintained by the county treasurer, which is recorded on the amortized cost basis.

The District ended the year with a negative cash balance in the Cafeteria Fund of \$9,462. Under policies set by the El Dorado County Treasurer's Office, the District is allowed to carry a negative cash balance in the fund as long as the combined District cash is positive. The District is charged interest on the negative balance by the El Dorado County Treasurer.

C. Risk Disclosures

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures.

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.

GOLD OAK UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 2 - CASH (CONCLUDED)

C. Risk Disclosures (Concluded)

The District manages its exposure to interest rate risk by investing in the County Pool and having the pool purchase a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

At June 30, 2019 the District had the following investment maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>		
		<u>Less than 1</u>	<u>1 to 4</u>	<u>More than 4</u>
County Treasury	\$ 901,851	\$ 894,366	\$ 7,485	\$ 0

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The county is restricted by Government Code Section 53635 pursuant to Section 53601 to invest only in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not exposed to credit risk.

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

Concentration of Credit Risk - This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

Foreign Currency Risk - This is the risk that exchange rate will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

GOLD OAK UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019 consist of the following:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Federal Government			
Categorical Aid Programs	\$ 58,005	\$ 11,725	\$ 69,730
State Government			
Categorical Aid Programs	30,300	842	31,142
Lottery	50,296		50,296
Total State Government	80,596	842	81,438
Local Government	32,303		32,303
Miscellaneous	2,285	2,299	4,584
Total Accounts Receivable	<u>\$ 173,189</u>	<u>\$ 14,866</u>	<u>\$ 188,055</u>

NOTE 4 - INTERFUND TRANSACTIONS

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

Interfund Receivables/Payables (Due From/Due To)

There were no individual fund interfund receivable and payable balances at June 30, 2019.

Interfund Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for the 2018-2019 fiscal year were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Governmental Funds:		
General Fund		\$ 42,772
Non-Major Governmental Funds:		
Cafeteria Fund	\$ 42,772	
Total	<u>\$ 42,772</u>	<u>\$ 42,772</u>

GOLD OAK UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 4 - INTERFUND TRANSACTIONS (CONCLUDED)

Interfund Transfers (Concluded)

Transfer \$42,772 from the General Fund to the Cafeteria Fund to supplement program operations and provide positive cash flow.

NOTE 5 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2019, is shown below:

	Balance July 01, 2018	Additions	Deductions	Balance June 30, 2019
Capital assets, not being depreciated:				
Land	\$ 227,850			\$ 227,850
Work in progress	234,677	\$ 2,745		237,422
Total capital assets, not being depreciated	<u>462,527</u>	<u>2,745</u>	<u>\$ 0</u>	<u>465,272</u>
Capital assets being depreciated:				
Buildings	6,060,514			6,060,514
Improvements of sites	3,061,792			3,061,792
Equipment	1,012,224		8,390	1,003,834
Total capital assets, being depreciated	<u>10,134,530</u>	<u>0</u>	<u>8,390</u>	<u>10,126,140</u>
Less accumulated depreciation for:				
Buildings	4,186,071	136,873		4,322,944
Improvements of sites	1,427,236	132,101		1,559,337
Equipment	889,906	39,671	8,390	921,187
Total accumulated depreciation	<u>6,503,213</u>	<u>308,645</u>	<u>8,390</u>	<u>6,803,468</u>
Total capital assets, being depreciated, net	<u>3,631,317</u>	<u>(308,645)</u>	<u>0</u>	<u>3,322,672</u>
Governmental activities capital assets, net	<u>\$ 4,093,844</u>	<u>\$ (305,900)</u>	<u>\$ 0</u>	<u>\$ 3,787,944</u>

Depreciation expense was charged to governmental activities as follows:

Governmental Activities:

Instruction	\$ 25,611
Instructional Library, Media and Technology	777
Home-To-School Transportation	20,064
Food Services	2,012
Centralized Data Processing	11,754
Plant Services	2,411
All Other General Administration	610
Unallocated	<u>245,406</u>
Total	<u>\$ 308,645</u>

GOLD OAK UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 6 - LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2019, is shown below:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due Within One Year
General Obligation Bonds	\$ 2,447,344		\$ 120,000	\$ 2,327,344	\$ 135,000
Accreted Interest	533,148	\$ 99,558		632,706	
Other Postemployment Benefits	608,756		101,008	507,748	
Early Retirement Incentives	212,202		77,635	134,567	71,463
Compensated Absences	4,278		1,548	2,730	2,730
Net Pension Liability	4,114,560	521,882		4,636,442	
Totals	<u>\$ 7,920,288</u>	<u>\$ 621,440</u>	<u>\$ 300,191</u>	<u>\$ 8,241,537</u>	<u>\$ 209,193</u>

The employee benefit related liabilities will primarily be paid from the General Fund. The general obligation bonds will be paid from the Bond Interest and Redemption Fund with local revenues as they reach maturity.

NOTE 7 - BONDED DEBT

On March 5, 2009, the District issued \$2,977,344 of General Obligation Bonds. The Bonds require annual principal payments beginning August 1, 2011 until August 1, 2033, plus interest. Annual interest rates for the General Obligation Bonds range from 3.00% to 6.65%. The proceeds of Bonds are authorized to be used to acquire, construct, modernize, and improve school facilities, including improving access to computers and modern technology, replacing outdated heating, air conditioning, and plumbing systems, fixing leaky roofs, and improving handicapped access throughout the District.

The outstanding general obligation bonded debt of June 30, 2019 is:

Date of Issue	Interest Rate %	Maturity Date	Amount of Original Issue	Outstanding July 01, 2018	Redeemed Current Year	Outstanding June 30, 2019
2009	3.00-6.00	2033	<u>\$ 2,977,344</u>	<u>\$ 2,447,344</u>	<u>\$ 120,000</u>	<u>\$ 2,327,344</u>

Accreted Interest

Series	Interest Rate	Maturity Date	Outstanding July 1, 2018	Accretion Current Year	Payments Current Year	Outstanding June 30, 2019
2009	5.65-6.65	2027	<u>\$ 533,148</u>	<u>\$ 99,558</u>	<u>\$ 0</u>	<u>\$ 632,706</u>

GOLD OAK UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 7 – BONDED DEBT (CONCLUDED)

The annual requirements to amortize the 2009A general obligation bonds payable, outstanding as of June 30, 2019 are as follows:

Year Ended June 30	Principal	Interest	Total
2020	\$ 135,000	\$ 56,637	\$ 191,637
2021	39,793	110,207	150,000
2022	38,958	126,042	165,000
2023	36,773	138,227	175,000
2024	34,599	150,401	185,000
2025-2029	377,221	956,948	1,334,169
2030-2033	1,665,000	273,878	1,938,878
Totals	<u>\$ 2,327,344</u>	<u>\$ 1,812,340</u>	<u>\$ 4,139,684</u>

NOTE 8 – EARLY RETIREMENT INCENTIVES

In addition to the other post-employment benefits described in Note 9 and the pension benefits described in Note 10, the District offered alternative retirement incentives during 2014-2015, 2016-2017 and 2017-2018. The future estimated payments needed to meet the obligations for six (6) former employees as determined by prior agreements are as follows:

Year Ended June	
2020	\$ 71,463
2021	39,440
2022	<u>23,664</u>
Total	<u>\$134,567</u>

The District has included the costs of early retirement incentives in long term debt.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS

A. Plan Description

The Gold Oak Union School District's defined benefit OPEB plan, Gold Oak Union School District Retiree Benefit Plan (GORBP) is described below. The GORBP is a single employer defined benefit plan administered by the Gold Oak Union School District through California's Valued Trust (CVT), a jointly managed trust, on a pooled, self-insured basis.

GOLD OAK UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

A. Plan Description (Concluded)

Employees and retirees may choose from a number of CVT Anthem Blue Cross medical/Rx PPO combinations, as well as several Kaiser North HMO options, Delta Dental, and VSP Vision.

B. Benefit Terms

The eligibility requirements and benefits provided by the GORBP are described below. (Some grandfathered certificated retirees receive additional benefits under a recent retirement incentive.)

	<u>Certificated</u>	<u>Classified</u>	<u>Management/ Confidential</u>
Benefits Provided	Medical, dental, vision	Medical, dental, vision	Medical, dental, vision
Duration of Benefits	5 years but not beyond age 65	12 years but not beyond age 65	12 years but not beyond age 65
Required Service	8 years	10 years	8 years
Minimum Age	Retirement	55	55
Dependent Coverage	Yes	Yes	Yes
District Contribution %	50% of premium but not in excess of 50% of cap	50% of premium but not in excess of 50% of cap	50% of premium but not in excess of 50% of cap
District Cap	Active cap (\$6,900/year)	Active cap 12 years but not beyond age 65 (\$6,168/year)	Active cap (\$6,168/year)

C. Contributions

The contribution requirements of GORBP members and the Gold Oak Union School District are established and may be amended by the Gold Oak Union School District and the Gold Oak Teachers' Association and the local California Service Employees Association. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

D. Employees Covered

At June 30, 2017, the date of the latest actuarial valuation, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Receiving Benefits	9
Inactive Employees Entitled to but Not Receiving Benefits	0
Participating Active Employees	<u>43</u>
Total Number of Participants	<u>52</u>

GOLD OAK UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

E. Total OPEB Liability

The Gold Oak Union School District's total OPEB liability of \$507,748 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017.

F. Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Inflation	2.75%
Salary Increases	2.75%
Discount Rate	3.80%
Healthcare Cost Trend Rate	4.00%
Retirees' Share of Benefit	50% of premiums
Related Costs	but not in excess of 50% of cap
Mortality Rates:	
Certificated	2009 CalSTRS Mortality Table
Classified	2014 CalPERS Active Mortality Table
	2014 CalPERS Retiree Mortality Table
Retirement Rates:	
Certificated	2009 CalSTRS Retirement Rates Table
Classified	2009 CalPERS Retirement Rates for Schools Employees
Turnover Rates:	
Certificated	2009 CalSTRS Termination Rates Table
Classified	2009 CalPERS Termination Rates for Schools Employees
Participation Rates:	
Certificated/Certificated Management	85%/100%
Classified	100%

The interest assumption reflects the municipal bond rate. The discount rate was based on the Bond Buyer 20 Index at June 30, 2018, rounded, resulting in a rate of 3.80%, an increase over the discount rate of 3.50% used in the prior year.

GOLD OAK UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

G. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	\$ 608,756
Changes Recognized for the Measurement Period:	
Service cost	49,628
Interest on the total OPEB liability	20,938
Changes of benefit terms	0
Difference between expected and actual experience	(6,432)
Changes of assumptions	0
Benefit payments	(165,142)
Net Change During July 1, 2017 to June 30, 2018	(101,008)
Balance at June 30, 2018 (Measurement Date)	\$ 507,748

H. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Gold Oak Union School District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.80 percent) or one percentage point higher (4.80 percent) than the current discount rate:

	1% Decrease (2.80%)	Discount Rate (3.80%)	1% Increase (4.80%)
Total OPEB Liability	\$ 525,747	\$ 507,748	\$ 491,449

I. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the Gold Oak Union School District, as well as what the District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (3.00 percent) or one percentage point higher (5.00 percent) than the current healthcare cost trend rate:

	1% Decrease (3.00%)	Healthcare Cost Trend Rate (4.00%)	1% Increase (5.00%)
Total OPEB Liability	\$ 490,542	\$ 507,748	\$ 526,183

GOLD OAK UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (CONCLUDED)J. OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2019, the Gold Oak Union School District recognized OPEB expense of \$101,045. At June 30, 2019, the Gold Oak Union School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred Outflows and Inflows of Resources:		
District contributions subsequent to measurement date of June 30, 2018	\$ 136,726	
Changes in assumptions		\$ 5,929
Net difference between projected and actual experience		<u>30,982</u>
Totals	<u>\$ 136,726</u>	<u>\$ 36,911</u>

The \$136,726 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. The other gains and losses are amortized over the expected average remaining service life, 12.8 years, which was determined as of June 30, 2017, the beginning of the measurement period, for the employees covered by the OPEB plan benefit terms as of the valuation date. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as decreases in OPEB expense as follows:

<u>Measurement Period Ended June 30</u>	<u>Outflows</u>	<u>Inflows</u>
2020		\$ 3,129
2021		3,129
2022		3,129
2023		3,129
2024		3,129
Thereafter		<u>21,266</u>
Total	<u>\$ 0</u>	<u>\$ 36,911</u>

GOLD OAK UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under cost-sharing multiple-employer contributory retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS). For the fiscal year ended June 30, 2019, the Gold Oak Union School District reported its proportionate share of the net pension liabilities, deferred outflows of resources, deferred inflows of resources and pension expense for each of the plans as follows:

<u>Pension Plan</u>	<u>Net Pension Liability</u>	<u>Deferred Outflows Related to Pensions</u>	<u>Deferred Inflows Related to Pensions</u>	<u>Pension Expense</u>
CalSTRS	\$ 3,057,320	\$ 917,735	\$ 435,931	\$ 312,374
CalPERS	1,579,122	543,181	28,330	354,307
Totals	<u>\$ 4,636,442</u>	<u>\$ 1,460,916</u>	<u>\$ 464,261</u>	<u>\$ 666,681</u>

A. California State Teachers' Retirement System (CalSTRS)

Plan Description. The Gold Oak Union School District contributes to the State Teachers' Retirement Plan (STRP), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by California State Teachers' Retirement System (CalSTRS). The State of California is a Nonemployer Contributing Entity to the STRP. The plan provides retirement, disability, and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. Although CalSTRS is the administrator of the STRP, the State of California is the sponsor of the STRP and obligor of the trust. In addition, the State of California is both an employer and nonemployer contributing entity to the STRP. CalSTRS issues a publicly available financial report that can be obtained at <http://www.calstrs.com/comprehensive-annual-financial-report>.

Benefit. The STRP provides defined benefit program benefits under two formulas: 2% at 60 for members hired on or before December 31, 2012 and 2% at 62 for members hired after that date. Both formulas define hire as the date at which the member was hired to perform service that could be creditable to CalSTRS. The benefit under each formula is calculated as 2% per year of creditable service. The 2% at 60 formula uses final compensation to calculate the benefit. The 2% at 62 formula uses an average of the highest compensation for three consecutive years to calculate the benefit.

GOLD OAK UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

Contributions. Required member, employer and state contribution rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. Contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial cost method. Active plan members under the 2% at 60 formula are required to contribute 10.25% of their salary and active plan members under the 2% at 62 formula are required to contribute 10.205% for the year ended June 30, 2019. The Gold Oak Union School District and the State of California are required to contribute actuarially determined rates.

The actuarial methods and assumptions used for determining the rates are those adopted by the CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2017-2018 was 14.43% and for fiscal year 2018-2019 was 16.28% of annual payroll. The required State contribution rate for fiscal year 2017-2018 was 9.328% and for fiscal year 2018-2019 the rate was 9.828%. The Gold Oak Union School District's contributions to CalSTRS for the fiscal years ending June 30, 2019 and 2018 were \$285,269 and \$253,471, respectively, and equal 100% of the required contributions for each year.

Contribution by District	\$ 285,269
Contribution by State	279,066
Total Contribution in 2018-2019	<u>\$ 564,335</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the District reported a liability of \$3,057,320 for its proportionate share of the net pension liability for the STRP. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's and the State of California's (non-employer contributing entity) long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State of California, actuarially determined. At June 30, 2018, the District's proportion of contributions was 0.0033 percent, an increase of 0.00022 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$312,374 which included the State's required on-behalf contribution of \$59,690.

GOLD OAK UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)A. California State Teachers' Retirement System (CalSTRS) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued). At June 30, 2019, 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
Deferred Outflows and Inflows of Resources:		
Difference between expected and actual experience	\$ 9,481	\$ 44,409
Changes in assumptions	474,946	
Net difference between projected and actual earnings on pension plan investments		117,726
Changes in proportion and differences between District contributions and proportionate share of contributions	148,039	273,796
District contributions subsequent to measurement date of June 30, 2018	<u>285,269</u>	
Totals	<u>\$ 917,735</u>	<u>\$ 435,931</u>

The \$285,269 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources related to pensions and deferred inflows of resources related to pension will be recognized as increases or decreases respectively in pension expense as follows:

	Outflows	Inflows
June 30, 2020	\$ 121,558	\$ 57,919
June 30, 2021	121,558	102,114
June 30, 2022	121,558	182,420
June 30, 2023	121,558	66,107
June 30, 2024	121,560	26,916
June 30, 2025	24,674	455
Total	<u>\$ 632,466</u>	<u>\$ 435,931</u>

GOLD OAK UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded). Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is seven years as of the June 30, 2018 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period.

Actuarial Assumptions. The total pension liability for the STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2017 and rolling forward the total pension liability to June 30, 2018. The financial reporting actuarial valuation as of June 30, 2017, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Experience Study	July 1, 2010, through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.10%
Consumer Price Inflation	2.75%
Wage Growth	3.50%
Post-Retirement Benefit Increases	2.00% simple for DB

Mortality assumptions are based on mortality rates from the most recent CalSTRS experience study adopted by the CalSTRS Board in February, 2017. The projection scale was set to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016), published by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best-estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance – PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the CalSTRS Board in February, 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS' consulting actuary (Milliman) will review the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

GOLD OAK UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

A. California State Teachers' Retirement System (CalSTRS) (Concluded)

Actuarial Assumptions (Concluded).

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term* Expected Real Rate of Return</u>
Global Equity	47%	6.30%
Private Equity	13%	9.30%
Real Estate	13%	5.20%
Inflation Sensitive	4%	3.80%
Risk Mitigating Strategies	9%	2.90%
Fixed Income	12%	0.30%
Cash/Liquidity	2%	(1.00)%

* 20-year geometric average

Discount Rate. The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming the contributions, benefit payments, and administrative expense occurred midyear. Based on those 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 payment to determine the total pension liability.

Presented below is the District's proportionate share of the net pension liability of employers and the state using the current discount rate of 7.10 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one to three percent lower or one to three percent higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability of Employers</u>
3% Decrease (4.10%)	\$ 8,326,022
2% Decrease (5.10%)	\$ 6,208,349
1% Decrease (6.10%)	\$ 4,478,616
Current Discount Rate (7.10%)	\$ 3,057,320
1% Increase (8.10%)	\$ 1,878,928
2% Increase (9.10%)	\$ 893,674
3% Increase (10.10%)	\$ 65,965

GOLD OAK UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

B. California Public Employees Retirement System (CalPERS)

Plan Description. The Gold Oak Union School District contributes to the School Employer Pool, known as Fund B, (PERF B), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan of school employers consisting of non-teaching and non-certified employees administered by the California Public Employees' Retirement System (CalPERS). The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State of California statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a publicly available comprehensive annual financial report that can be obtained at <https://www.calpers.ca.gov/docs/forms-publications/cafr-2018.pdf>.

Contributions. The benefits for the defined benefit pension plan are funded by contributions from members and employers, and earnings from investments. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the employee's date of hire. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with an additional amount to finance any unfunded accrued liability. The Gold Oak Union School District is required to contribute the difference between the actuarially determined rate and the contribution rate of the employees. The required employer contribution rates on applicable annual payroll for the fiscal years ending June 30, 2019 and 2018 were 18.062% and 15.531%, respectively. The Gold Oak Union School District's employer contributions to CalPERS for the fiscal years ending June 30, 2019 and 2018 were \$146,796 and \$121,739, respectively and equal 100% of the required contributions for each year. SB 90 required a one-time appropriation to PERF B from the state's general fund on behalf of California school districts during 2018-2019. The District's proportionate share of these state general fund contributions to PERF B was approximately \$53,517.

Benefits. The PERF B provides defined benefit program benefits based on members' years of service, age, final compensation and benefit formula. Members become fully vested in their retirement benefits earned to date after five years (10 years for State Second Tier members) of credited service.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the District reported a liability of \$1,579,122 for its proportionate share of the net pension liability for the PERF B. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to an actuarial valuation as of June 30, 2017.

GOLD OAK UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)B. California Public Employees Retirement System (CalPERS) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued). 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, 2018, the District's proportion of contributions was 0.0059 percent, an increase of 0.00072 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$354,307. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Deferred Outflows and Inflows of Resources:		
Difference between expected and actual experience	\$ 103,521	
Changes in assumptions	157,668	
Net difference between projected and actual earnings on pension plan investments	12,952	
Changes in proportion and differences between District contributions and proportionate share of contributions	122,244	\$ 28,330
District contributions subsequent to measurement date of June 30, 2018	<u>146,796</u>	
Totals	<u>\$ 543,181</u>	<u>\$ 28,330</u>

The \$146,796 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the PERF B pensions will be recognized as increases or decreases respectively in pension expense as follows:

GOLD OAK UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

B. California Public Employees Retirement System (CalPERS) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Concluded).

	Outflows	Inflows
June 30, 2020	\$ 218,792	\$ 28,330
June 30, 2021	157,258	
June 30, 2022	29,656	
June 30, 2023	(9,321)	
Total	<u>\$ 396,385</u>	<u>\$ 28,330</u>

Differences between expected and actual experience and changes in assumptions are amortized over a closed period equal to the average remaining service life of plan members, which is four years as of the June 30, 2018 measurement date. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period.

Actuarial Assumptions. For the year ended June 30, 2018, the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. The financial reporting actuarial valuation as of June 30, 2017, used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

Experience Study	July 1, 1997, through June 30, 2015
Actuarial Cost Method	Entry age normal
Investment Rate of Return	7.15%
Consumer Price Inflation	2.50%
Wage Growth	Varies by entry age and service
Post-Retirement Benefit Increases	Contract COLA up to 2.00% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter

The PERF B uses a mortality table based on CalPERS specific data. The table includes fifteen years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016.

Change in Assumptions. In November, 2017, CalPERS completed an experience study using data collected during fiscal years 1997 to 2015. The experience study was adopted by the CalPERS Board of Administration in December, 2017. The mortality table was developed from the November, 2017 experience study (as described above).

GOLD OAK UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS (CONTINUED)

B. California Public Employees Retirement System (CalPERS) (Continued)

Change in Assumptions (Concluded). The inflation assumption was reduced from 2.75 percent to 2.50 percent. The assumptions for individual salary increase and overall payroll growth were reduced from 3.00 percent to 2.75 percent. These new assumptions will be incorporated into the June 30, 2018 valuation for PERF B. Deferred inflows of resources for changes in assumptions presented in the schedule above represents the unamortized portion of this change and any changes of assumptions related to prior measurement periods.

Discount Rate. The discount rate used to measure the total pension liability was 7.15 percent. A projection of the expected benefit payments and contributions was performed to determine if assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the Schools Pool.

The following presents the net pension liability of the Plan as of June 30, 2018, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

Discount Rate	Plan's Net Pension Liability
1% Decrease (6.15%)	\$ 2,299,126
Current Discount Rate (7.15%)	\$ 1,579,122
1% Increase (8.15%)	\$ 981,775

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

GOLD OAK UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 10 - EMPLOYEE RETIREMENT SYSTEMS (CONCLUDED)

B. California Public Employees Retirement System (CalPERS) (Concluded)

Discount Rate (Concluded).

New Strategic Asset Class	Real Return Allocation	Real Return Years 1-10 ¹	Real Return Years 11+ ²
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real Assets	13%	3.75%	4.93%
Liquidity	1%	0%	(.92)%

¹ An expected inflation of 2.0% used for this period

² An expected inflation of 2.92% used for this period

Pension Plan Fiduciary Net Position. The plan fiduciary net position disclosed in this report may differ from the plan assets reported in the Schools Pool funding actuarial valuation reported due to several reasons. First, for the accounting valuation, items such as deficiency reserves, fiduciary self-insurance and OPEB expense are included in fiduciary net position. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early closing and final reconciled reserves.

C. Social Security

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

NOTE 11 - STUDENT BODY FUNDS

The Student Body Funds often engage in activities, which involve cash transactions. These transactions are not subject to adequate internal accounting control prior to deposits being recorded in the bank accounts. It has been determined on a cost benefit basis that providing increased internal control in this area does not justify the additional costs that would be necessary to control receipts prior to the point of deposit.

GOLD OAK UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 12 - COMMITMENTS AND CONTINGENCIES

A. Litigation

The District may be involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of any litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2019.

B. State and Federal Allowances, Awards and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

C. Joint Ventures

The District participates in one joint venture under a joint powers agreement (JPA) with Schools Insurance Authority (SIA) for workers' compensation, property and liability and coverage. The relationship between the District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

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

NOTE 13 - RISK MANAGEMENT

A. 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, 2019, the District contracted with Schools Insurance Authority (SIA) for property and liability insurance coverage and also for theft insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant change in coverage from the prior year.

GOLD OAK UNION SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 13 - RISK MANAGEMENT (CONCLUDED)

B. Workers' Compensation

For fiscal year 2018-2019, District participated in the Schools Insurance Authority (SIA), insurance purchasing pool. The intent of the SIA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the SIA. 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 SIA. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the SIA. Participation in the SIA is limited to districts that can meet the SIA selection criteria.

NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 7, 2019, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

GOLD OAK UNION SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts (GAAP Basis)	
REVENUES				
Local Control Funding Formula Sources:				
State Apportionments	\$ 2,437,297	\$ 2,399,358	\$ 2,399,358	
Local Sources	1,645,726	1,706,687	1,706,687	
Total Local Control Funding Formula Sources	4,083,023	4,106,045	4,106,045	
Federal Revenue	133,529	163,967	163,967	
Other State Revenue	428,745	656,026	656,026	
Other Local Revenue	223,305	266,340	266,340	
Total Revenues	4,868,602	5,192,378	5,192,378	\$ 0
EXPENDITURES				
Certificated Salaries	1,816,537	1,829,766	1,829,766	
Classified Salaries	818,534	812,221	812,221	
Employee Benefits	1,339,609	1,500,668	1,500,668	
Books and Supplies	150,387	183,978	183,978	
Services and Other				
Operating Expenditures	569,088	594,541	594,541	
Capital Outlay		2,744	2,744	
Other Outgo	94,086	118,965	118,965	
Total Expenditures	4,788,241	5,042,883	5,042,883	0
Excess of Revenues Over Expenditures	80,361	149,495	149,495	0
Other Financing Sources (Uses):				
Operating Transfers Out	(41,180)	(42,772)	(42,772)	0
Excess of Revenues Over Expenditures and Other Uses	39,181	106,723	106,723	0
Fund Balances - July 1, 2018	456,781	546,263	546,263	0
Fund Balances - June 30, 2019	\$ 495,962	\$ 652,986	\$ 652,986	\$ 0

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

GOLD OAK UNION SCHOOL DISTRICT
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL
OPEB LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	2019	2018
Total OPEB Liability	\$ 608,756	\$ 665,046
Changes Recognized for the Measurement Period:		
Service cost	49,627	48,299
Interest on the Total OPEB Liability	20,938	21,885
Changes of benefit terms	0	0
Difference between expected and actual experience	0	0
Changes of assumptions	(6,432)	0
Benefit payments	(165,141)	(126,474)
Net Change in Total OPEB Liability	(101,008)	(56,290)
Balance at June 30, 2018 (Measurement Date)	\$ 507,748	\$ 608,756
 Covered-Employee Payroll	 \$ 2,559,687	 \$ 2,330,006
 Total OPEB Liability as a Percentage of Covered-Employee Payroll	 19.84%	 26.13%

Historical information is required only for measurement periods for which GASB Statement 75 is applicable. Future years' information will be displayed up to ten years as information becomes available. Fiscal year 2018 was the first year of implementation, therefore only two years are shown.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

GOLD OAK UNION SCHOOL DISTRICT
SCHEDULES OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

California State Teachers' Retirement System (CalSTRS)

Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	State's Proportionate Share of the NPL Associated with District	Total NPL Attributed to District	District's Covered- Employee Payroll	District's Proportionate Share of the NPL as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2019	0.0033%	\$ 3,057,320	\$ 1,750,467	\$ 4,807,787	\$ 1,756,556	174%	71%
2018	0.0031%	\$ 2,872,707	\$ 1,699,484	\$ 4,572,191	\$ 1,685,135	170%	70%
2017	0.0034%	\$ 2,714,365	\$ 1,545,467	\$ 4,259,832	\$ 1,677,931	162%	70%
2016	0.0036%	\$ 2,451,327	\$ 1,254,185	\$ 3,705,512	\$ 1,705,923	144%	74%
2015	0.0040%	\$ 2,337,480	\$ 1,431,433	\$ 3,768,913	\$ 1,749,006	134%	77%

Public Employee Retirement System (CalPERS)

Year Ended June 30	District's Proportion of the NPL	District's Proportionate Share of the NPL	District's Covered- Employee Payroll	Proportionate Share of the NPL as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2019	0.0059%	\$ 1,579,122	\$ 783,845	202%	71%
2018	0.0052%	\$ 1,241,853	\$ 663,386	187%	72%
2017	0.0043%	\$ 846,690	\$ 514,299	165%	74%
2016	0.0048%	\$ 708,648	\$ 532,283	133%	79%
2015	0.0047%	\$ 533,565	\$ 489,044	109%	83%

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

GOLD OAK UNION SCHOOL DISTRICT

SCHEDULES OF THE DISTRICT'S PENSION CONTRIBUTION

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

California State Teachers' Retirement System (CalSTRS)

Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a percentage of Covered-Employee Payroll
2019	\$ 285,269	\$ (285,269)	\$ 0	\$ 1,752,267	16.28%
2018	\$ 253,471	\$ (253,471)	\$ 0	\$ 1,756,556	14.43%
2017	\$ 211,990	\$ (211,990)	\$ 0	\$ 1,685,135	12.58%
2016	\$ 180,042	\$ (180,042)	\$ 0	\$ 1,677,931	10.73%
2015	\$ 151,486	\$ (151,486)	\$ 0	\$ 1,705,923	8.88%

Public Employee Retirement System (CalPERS)

Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a percentage of Covered-Employee Payroll
2019	\$ 146,796	\$ (146,796)	\$ 0	\$ 812,734	18.06%
2018	\$ 121,739	\$ (121,739)	\$ 0	\$ 783,845	15.53%
2017	\$ 92,131	\$ (92,131)	\$ 0	\$ 663,386	13.89%
2016	\$ 60,929	\$ (60,929)	\$ 0	\$ 514,299	11.85%
2015	\$ 62,655	\$ (62,655)	\$ 0	\$ 532,283	11.77%

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

GOLD OAK UNION SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 - PURPOSE OF SCHEDULES

A. Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The budgets are revised during the year by the Board of Trustees to provide for revised priorities. Expenditures cannot legally exceed appropriations by major object code. The originally adopted and final revised budgets for the General Fund are presented as Required Supplementary Information. The basis of budgeting is the same as GAAP.

There were no excess of expenditures over appropriations in individual governmental funds at June 30, 2019.

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

This schedule will present the sources of changes in the net OPEB liability and the components of the net OPEB liability and related ratios, including the OPEB plan's fiduciary net position as a percentage of the total OPEB liability, and the net OPEB liability as a percentage of covered-employee payroll.

This will be a 10-year schedule. Years will be added in future fiscal years until 10 years of information is available.

C. Schedules of the District's Proportionate Share of the Net Pension Liability

These schedules present information on the District's portion of the Net Pension Liability of CalSTRS and the Net Pension Liability of CalPERS in compliance with GASB 68. The amounts presented for each fiscal year were determined as of the measurement date that occurred one year prior.

These will be 10-year schedules. Years will be added to these schedules in future fiscal years until 10 years of information is available.

D. Schedules of the District's Pension Contributions

These schedules provide information about the District's required and actual contributions to CalSTRS and CalPERS during the year.

These will be 10-year schedules. Years will be added to these schedules in future fiscal years until 10 years of information is available.

SUPPLEMENTARY INFORMATION SECTION

GOLD OAK UNION SCHOOL DISTRICT

PLACERVILLE, CALIFORNIA

JUNE 30, 2019

ORGANIZATION

The Gold Oak Union School District was established in November 12, 1954. The District is located in Placerville, California. There was no change in District boundaries during the year. The District operates two schools, grades kindergarten through five and grades six through eight.

GOVERNING BOARD

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Scott Reid	President	December, 2020
Robin Renee Ferguson	Clerk	December, 2022
Sheri Cook	Member	December, 2022
Jerald Soracco	Member	December, 2022
Kim Nida	Member	December, 2020

ADMINISTRATION

Meg Enns
Superintendent/Principal

Linda Himmel
Chief Business Official

GOLD OAK UNION SCHOOL DISTRICT
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	(Revised) Second Period Report <u>AFEB5212</u>	(Revised) Annual Report <u>E6C040EE</u>
Regular ADA		
Transitional Kindergarten through Third	198	198
Fourth through Sixth	147	147
Seventh and Eighth	<u>103</u>	<u>102</u>
ADA Totals	<u><u>448</u></u>	<u><u>447</u></u>

Average daily attendance is a measurement of the numbers 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 the school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

SEE NOTES TO SUPPLEMENTARY INFORMATION

GOLD OAK UNION SCHOOL DISTRICT
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Grade Level	Minutes Requirement	2018-2019 Actual Minutes	Number of Days Traditional Calendar	Status
TK/Kindergarten	36,000	43,940	180	In Compliance
Grade 1	50,400	54,015	180	In Compliance
Grade 2	50,400	54,015	180	In Compliance
Grade 3	50,400	54,015	180	In Compliance
Grade 4	54,000	54,015	180	In Compliance
Grade 5	54,000	54,015	180	In Compliance
Grade 6	54,000	58,340	180	In Compliance
Grade 7	54,000	58,340	180	In Compliance
Grade 8	54,000	58,340	180	In Compliance

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has met its local control funding formula target.

Districts that participate in Longer Day Incentive Funding or that met or exceed their local control funding formula target, must provide at least the number of instructional minutes specified in Education Code Section 46201(b) or 46207(a), shown as the minutes requirement above.

GOLD OAK UNION SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit. There were no charter schools in the Gold Oak Union School District.

SEE NOTES TO SUPPLEMENTARY INFORMATION

GOLD OAK UNION SCHOOL DISTRICT
RECONCILIATION OF UNAUDITED ACTUAL FINANCIAL REPORT
WITH AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Auditor's Comments

The audited financial statements of all funds were in agreement with the Unaudited Actual Financial Report for the year ended June 30, 2019.

SEE NOTES TO SUPPLEMENTARY INFORMATION

GOLD OAK UNION SCHOOL DISTRICT
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Budget 2019-2020	2018-2019	2017-2018	2016-2017
<u>General Fund</u>				
Revenues and Other Financial Sources	\$ 4,898,475	\$ 5,192,378	\$ 4,588,396	\$ 4,668,802
Expenditures	5,045,232	5,042,883	4,866,982	4,672,567
Other Uses and Transfers Out	41,125	42,772	24,986	79,061
Total Outgo	5,086,357	5,085,655	4,891,968	4,751,628
Change in Fund Balance (Deficit)	(187,882)	106,723	(303,572)	(82,826)
Ending Fund Balance	\$ 344,330	\$ 652,986	\$ 546,263	\$ 849,835
Available Reserves	\$ 203,454	\$ 242,208	\$ 253,933	\$ 424,375
Reserve for Economic Uncertainties	\$ 203,454	\$ 242,208	\$ 253,933	\$ 424,375
Available Reserves as a Percentage of Total Outgo	4.0%	4.8%	5.2%	8.9%
Total Long-Term Debt	\$ 8,035,074	\$ 8,241,537	\$ 7,920,288	\$ 7,031,805
Average Daily Attendance at P-2	440	448	452	454

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.

The General Fund balance has decreased by \$279,675 over the past three years. Available reserves consist of all unassigned fund balances and all funds reserved for economic uncertainties in the General Fund. For a District this size, the State recommends available reserves of at least 4 percent of total general fund expenditures, transfers out and other uses (total outgo).

Total long-term debt increased \$1,209,732 during the past two years primarily due to the annual increases to the District's share of the net pension liability, and also due to the increase in OPEB liability due to GASB Statement No. 75 implementation.

Average Daily Attendance decreased by 6 over the past two years.

The amounts presented as Budget, 2019-2020 are presented for additional analysis and have not been audited.

SEE NOTES TO SUPPLEMENTARY INFORMATION

GOLD OAK UNION SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR FUNDS
JUNE 30, 2019

	Cafeteria Fund	Deferred Maintenance Fund	Total Non- Major Governmental Funds
ASSETS			
Cash	\$ 1,000	\$ 22,509	\$ 23,509
Accounts Receivable	13,463	1,403	14,866
Stores Inventory	<u>1,558</u>	<u></u>	<u>1,558</u>
Total Assets	<u>\$ 16,021</u>	<u>\$ 23,912</u>	<u>\$ 39,933</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deficit Cash	\$ 9,462		\$ 9,462
Deferred Revenue	<u>4,001</u>		<u>4,001</u>
Total Liabilities	<u>13,463</u>		<u>13,463</u>
Fund Balances:			
Nonspendable	2,558		2,558
Committed	<u></u>	<u>\$ 23,912</u>	<u>23,912</u>
Total Fund Balances	<u>2,558</u>	<u>23,912</u>	<u>26,470</u>
Total Liabilities and Fund Balances	<u>\$ 16,021</u>	<u>\$ 23,912</u>	<u>\$ 39,933</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

GOLD OAK UNION SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Cafeteria Fund</u>	<u>Deferred Maintenance Fund</u>	<u>Total Non- Major Governmental Funds</u>
REVENUES			
Revenue Limit Sources:			
State Apportionments		\$ 30,000	\$ 30,000
Total Revenue Limit		30,000	30,000
Federal Revenue	\$ 103,686		103,686
Other State Revenue	7,005		7,005
Other Local Revenue	53,462	418	53,880
Total Revenues	<u>164,153</u>	<u>30,418</u>	<u>194,571</u>
EXPENDITURES			
Classified Salaries	74,056		74,056
Employee Benefits	29,342		29,342
Books and Supplies	73,233	2,651	75,884
Services and Other			
Operating Expenditures	19,544	31,234	50,778
Interest and Fiscal Charges	262		262
Other Outgo	10,613	3,597	14,210
Total Expenditures	<u>207,050</u>	<u>37,482</u>	<u>244,532</u>
Excess of Revenues Over (Under) Expenditures	(42,897)	(7,064)	(49,961)
Other Financing Sources:			
Operating Transfers In	<u>42,772</u>	<u> </u>	<u>42,772</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	(125)	(7,064)	(7,189)
Fund Balances - July 1, 2018	<u>2,683</u>	<u>30,976</u>	<u>33,659</u>
Fund Balances - June 30, 2019	<u>\$ 2,558</u>	<u>\$ 23,912</u>	<u>\$ 26,470</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

GOLD OAK UNION SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
ASSETS				
Cash	<u>\$ 9,087</u>	<u>\$ 23,832</u>	<u>\$ 25,569</u>	<u>\$ 7,350</u>
LIABILITIES				
Due to Student Groups	<u>\$ 9,087</u>	<u>\$ 23,832</u>	<u>\$ 25,569</u>	<u>\$ 7,350</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE STATEMENTS

GOLD OAK UNION SCHOOL DISTRICT
NOTES TO SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1 - PURPOSE OF STATEMENTS AND SCHEDULES

A. Schedule of Average Daily Attendance

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

B. Schedule of Instructional Time

This schedule presents information on the amount of instructional time and number of days offered by the District and whether the District complied with the provisions of Education Code Sections 46201 through 46208. The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day, and has met its local control funding formula target.

C. Schedule of Charter Schools

This schedule is provided to list all charter schools chartered by the District and displays information for each charter school on whether or not the charter school is included in the District audit.

D. Reconciliation of Unaudited Actual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balances of all funds and the total liabilities balance of the general long-term debt account group as reported on the Unaudited Actual Financial Report to the audited financial statements.

E. Schedule of Financial Trends and Analysis

This schedule is presented to improve the evaluation and reporting of the going concern status of the District.

F. Combining Statements and Individual Fund Schedules

Combining statements and individual fund schedules are presented for purposes of additional analysis, and are not a required part of the District's basic financial statements. These statements and schedules present more detailed information about the financial position and financial activities of the District's individual funds.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION



Certified Public Accountant

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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
Gold Oak Union School District
Placerville, California

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Gold Oak Union School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Gold Oak Union School District's basic financial statements, and have issued my report thereon dated October 7, 2019.

Internal Control Over Financial Reporting

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

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

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gold Oak Union School District's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Michelle M. Hanson". The signature is stylized with a large, looped initial "M" and "H".

MICHELLE M. HANSON
Certified Public Accountant

October 7, 2019



Certified Public Accountant

200 Gateway Drive, #370

Lincoln, CA 95648

☎ : (916) 434-1425

✉ : michelle@mhansoncpa.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Trustees
Gold Oak Union School District
Placerville, California

I have audited Gold Oak Union School District's compliance with the types of compliance requirements described in the *2018-2019 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* that could have a direct and material effect on each of Gold Oak Union School District's State government programs as noted below for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws and regulations.

Auditor's Responsibility

My responsibility is to express an opinion on compliance with State laws and regulations of Gold Oak Union School District's State government programs based on my audit of the types of compliance requirements referred to below. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*. Those standards require that I 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 the applicable State laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about Gold Oak Union School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion. However, my audit does not provide a legal determination of Gold Oak Union School District's compliance with those requirements.

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

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No (see next page)
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort (MOE)	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable

<u>Description</u>	<u>Procedures Performed</u>
School Districts, County Office of Education and Charter Schools:	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study – Course Based	Not Applicable
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Non-Classroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Non-Classroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

Procedures were not performed for Independent Study attendance because the average daily attendance generated by the program was below the level required for testing.

Procedures were not performed on the items marked “Not Applicable” because the District does not operate those programs.

Opinion on Each State Government Program

In my opinion, Gold Oak Union School District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its State government programs for the year ended June 30, 2019.

Other Matters

The results of my auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the *2018-2019 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* and which is described in the accompanying schedule of findings and responses as item 2019-001. My opinion on State government programs is not modified with respect to this matter.

Gold Oak Union School District’s Response to Finding

Gold Oak Union School District’s response to the finding identified in my audit is described in the accompanying schedule of findings and responses. Gold Oak Union School District’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of my testing of compliance and the results of that testing based on the requirements of the *2018-2019 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



MICHELLE M. HANSON
Certified Public Accountant

October 7, 2019

FINDINGS AND RESPONSES SECTION

GOLD OAK UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified that are not considered to be material weakness?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

State Awards

Internal control over state programs:		
Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiency(ies) identified that are not considered to be material weakness?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None reported
Type of auditor's report issued on compliance for state programs:	Unmodified	

GOLD OAK UNION SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Section II - Financial Statements Findings

No matters are reported.

Section III - Federal Award Findings and Responses

No matters are reported.

Section IV - State Award Findings and Responses

2019- 001 - CLASSROOM TEACHER SALARIES - 61000

Criteria: *California Education Code* Section 41372 requires a minimum percentage of expenditures be charged for classroom teacher salaries. For elementary school districts, this percentage is 60%. *Education Code* section 41374 provides the District an exemption to this requirement if class sizes are maintained below 28 pupils.

Statement of Condition: During the audit of the Classroom Teacher Salaries, it was noted the District did not meet the minimum "Percentage of Current Cost of Education Expended for Classroom Compensation" and was not exempt under the provisions of *Education Code* Section 41374.

Cause: Classroom teacher salaries were less than the State requirement.

Effect or Potential Effect: By not meeting the minimum percentage as established by *Education Code* Section 41372, the District is out of compliance with the established regulation and law.

Questioned Costs:

Current Expense of Education	\$4,343,484
Total Salaries and Benefits	\$2,568,821
Percentage Spent by District	59.14%
Minimum Percentage Required	60.00%
Deficiency Amount	\$ 37,354

Recommendation: This has been a finding for the District since 2016-2017. The District should implement procedures to ensure the minimum percentage is met, or maintain class sizes at or below 28 pupils to qualify for the exemption provisions of *Education Code* Section 41374. If the District is unable to maintain class sizes below 28 and if the application of this education code section during a fiscal year results in a serious hardship to the District, the Governing Board may apply to the County Superintendent of Schools in writing for exemption from the requirements.

Corrective Action: In 2018-19 the District made additional progress towards meeting *Education Code* Section 41374 by raising the percentage an additional 1.30%. The District will continue to strive towards meeting the minimum percentage, or lower-class sizes below 28, while maintaining fiscal responsibility. The District will apply for a waiver from penalty for the 2018-2019 noncompliance with the El Dorado County Office of Education.

GOLD OAK UNION SCHOOL DISTRICT

STATUS OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

2018-001: The District was not in compliance with the minimum percentage of expenditures for classroom teacher salaries required pursuant to *California Education Code* Section 41372. The District should implement procedures to ensure the minimum percentage is met, or maintain class sizes at or below 28 pupils to qualify for the exemption provisions of *California Education Code* Section 41374.

Current Status:

Accepted

Partially Implemented – The District has increased classroom teacher salaries and benefits from 57.84% in 2017-2018 to 59.14% in 2018-2019. The statutorily required 60% was not met in 2018-2019. The El Dorado County Office of Education has approved a waiver from penalty for 2017-2018.

Finding repeated – See Finding 2019-001