

**MEETING AGENDA**  
**Board Audit Committee**  
6:00 PM

December 11, 2018  
East Side Union High School District Education Center  
Superintendent's Conference Room  
830 North Capitol Avenue  
San Jose, CA 95133-1398

*In compliance with the Americans with Disabilities Act, if you need special assistance, disability-related modifications or accommodations, including auxiliary aids or services, in order to participate in the public meeting of the Audit Committee, please contact the office of the District Superintendent at (408) 347-5011. Notification 72 hours prior to the Special Meeting will enable the District to make reasonable arrangements to ensure accommodation and accessibility to this meeting. Upon request, the District shall also make available this agenda and all other public records associated with this meeting in appropriate alternative formats for persons with a disability.*

**1. Call to Order/Roll Call**

**2. Introductions**

**3. Adopt Agenda**

**4. Special Order of Business**

*Individuals may be permitted to present an item out of order on the agenda to accommodate their schedules.*

**5. Public Comments**

*Members of the public may address the Audit Committee on any subject not on the agenda; however, provisions of the Brown Act (Government Code 54954.2(a) and 54954.3) preclude any action. As an unagendized item, no response is required from the Audit Committee or district staff and no action can be taken; however, the Committee may instruct the Chair to agendize the item for a future meeting.*

**6. Approval of Minutes**

**Action:** Minutes from the September 11, 2018, meeting will be presented for approval.

**External Auditor**

**7. Discussion/Action: Annual Audit 2017-18**

Joyce Peters, Partner at Vavrinek, Trine, Day & Co., LLP, will provide an update from the final testing and will present the following draft reports for the year ended June 30, 2018:

7A. Annual Audited Actual Financial Report

7B. 2002 Measure G Fund Annual Financial Report and Performance Audit

7C. 2008 Measure E Fund Annual Financial Report and Performance Audit

7D. 2012 Measure I Fund Annual Financial Report and Performance Audit

7E. 2014 Measure I Fund Annual Financial Report and Performance Audit

7F. 2016 Measure Z Fund Annual Financial Report and Performance Audit

**Chair / Vice Chair**

**8. Discussion/Action: Updates**

Lan Nguyen, Vice Chair as Acting Chair, will provide updates, if any.

## **Superintendent / Associate Superintendent of Business Services**

### **9. Discussion/Action: Bond Performance Audit Report – Remediation Update**

Julio Lucas, Senior Manager of the Bond Program, Janice Unger, Director of Bond Purchasing and Contracts, and Sandy Nguyen, Construction Bond Program Controls Manager, will provide an update on the remediation of the audit recommendations from Total School Solutions Measures E, G, I and Tech I Bond Performance Audit Report for Fiscal Years Ended June 30, 2016 and 2017 as initially presented to the Audit Committee on March 27, 2018 and initially to the Board on January 18, 2018 and as amended to the Board on March 22, 2018.

### **10. Discussion/Action: Bond Fund Conflict of Interest Audit Report – Final Remediation**

Chris Jew, Associate Superintendent of Business Services, and Janice Unger, Director of Bond Purchasing and Contracts, will report on the final resolution of the Bond Fund Conflict of Interest Audit Report FY17-2 dated September 13, 2017, originally presented to the Audit Committee on September 12, 2017 and to the Board on September 19, 2017.

## **Senior Manager of Internal Controls**

### **11. Discussion/Action: Fraud, Waste and Abuse Hotline**

Kelly Kwong, Senior Manager of Internal Controls, will report on the status of the Fraud, Waste and Abuse Hotline.

### **12. Discussion/Action: Cash Handling and Associated Student Body (ASB)**

Kelly Kwong, Senior Manager of Internal Controls, will provide an update on ASB matters.

### **13. Discussion/Action: School Connected Organizations**

Kelly Kwong, Senior Manager of Internal Controls, will provide an update on the School Connected Organizations.

## **Audit Committee Business**

### **14. Discussion/Action: Audit Committee Members – Terms and Appointment Process Review**

Audit Committee will review the terms served by each Member and review the draft vacancy announcement and application.

14A. Member Terms

14B. Draft Announcement Seeking Applicants

14C. Draft Member Application

### **15. Discussion/Action: Future Meetings**

Audit Committee to schedule the next meeting.

### **16. Superintendent/Associate Superintendent Communications/Comments**

- Chris Funk, Superintendent
- Chris Jew, Associate Superintendent of Business Services

### **17. Audit Committee Member Comments**

Individual Audit Committee members may report on programs, conferences, meetings attended and/or items of interest to the public. An Audit Committee member may wish to express a concern or observation about a topic not appearing on the agenda, or request items to be scheduled on a future agenda.

### **18. Future Agenda Items**

### **19. Adjournment**

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**Minutes of Meeting**

**Unapproved**

**Board Audit Committee**

September 11, 2018

6:00 PM

East Side Union High School District

Education Center

Superintendent's Conference Room

830 Capitol Avenue, San Jose, CA 95133-1398

**Item 6**

**1. Call to Order /Roll Call**

*Chair Frank Biehl called the meeting to order at 6:00 PM.*

*Committee members present for roll call:*

- *Chair Frank Biehl*
- *Vice Chair Lan Nguyen*
- *Member Dan Juchau*
- *Member Jon Reinke*
- *Member Bruce Berg*
- *Alternate Rajesh Godbole*

*Staff present:*

- *Chris Funk*
- *Chris Jew*
- *Kelly Kwong*
- *Silvia Pelayo*
- *Janice Unger*
- *Randy Phelps*
- *Julie Kasberger*
- *Cathy Nguyen*
- *Mary Guillen*

**2. Introductions**

**A welcome is extended to members of the Audit Committee**

*Chair Biehl extended a welcome to members of the Audit Committee and audience.  
Each Committee Member and members of the audience introduced themselves.*

**3. Adopt Agenda**

*There were no changes to the agenda.*

**4. Special Order of Business**

Individuals may be permitted to present an item out of order on the agenda to accommodate their schedules.

*There was no special order of business.*

**5. Public Comments**

Members of the public may address the Audit Committee on any subject not on the agenda; however, provisions of the Brown Act (Government Code 54954.2(a) and 54954.3) preclude any action. As a unagendized item, no response is required from the Audit Committee or district staff and no action can be taken; however, the Board may instruct the Chair to agendize the item for a future meeting.

*There were no public speakers.*

**6. Approval of Minutes**

Minutes from the March 27, 2018, meeting will be presented for approval.

*Motion by Vice Chair Lan Nguyen, second by Member Bruce Berg, to approve the Board Audit Committee Minutes March 27, 2018, as presented.*

*Vote: 5/0; motion carries*

**Chair / Vice Chair**

**7. Discussion/Action: Updates**

Frank Biehl, Chair, and Lan Nguyen, Vice Chair, will provide updates, if any.

*There were no updates to report.*

**Superintendent / Associate Superintendent of Business Services**

**8. Discussion/Action: New ERP Financial and Human Resources Management Solution**

Chris Jew, Associate Superintendent of Business Services, Janice Unger, Director of Bond Purchasing and Contracts, Randy Phelps, Chief Technology Officer, will provide an update on the new Enterprise Resource Planning (ERP) Financial and Human Resources Management Solution.

*Janice Unger and Randy Phelps provided and updated on the New Enterprise Resource Planning (ERP) financial and human resources management solution system. It is a fully integrated accounting system that work with payroll and HR, RFP 21-17-18. The current*



*system does not have HR features, just the bare bones. It does not provide the ability for future budget planning.*

*On September 19, 2017, the Board adopted a resolution for competitive negotiation of the financial management system procurement. The RFP was released on April 2, 2018, to ten known firms. It was also advertised for two consecutive weeks in local publications. RFPs were due April 1 2018. Four proposals were received: 1) Digital Schools of California, L.P.; 2) Escape Technology; 3) Harris Schools Solution (QCC); and, 4) Tyler Technologies, Inc. An evaluation team consisting of 16 staff members was formed after deadline to review the proposals through Planet Bids evaluation tool. Scoring duration occurred May 3 thru week ending in May 11, 2018. On May 16, 2018, the Evaluation Team met and after reviewing the proposal scores, elected to only interview Tyler Technologies, Inc. who had scored the highest. On May 22, 2018, Tyler Technologies, Inc. presented their product solution with an all-day eight (8) hour presentation to the Evaluation Team as well as other end users. Sixty-six (66) staff members were invited to participate. Following the presentation, the Evaluation Team scored the interview by way of consensus scoring. Tyler Technologies earned seventeen (17) out of possible twenty (20) points assigned.*

*Administration recommended approval by the Board of Trustees as follows:*

*It is recommended that the Board of Trustees approve the SaaS agreement, Statement of Work and SaaS final proposal with Tyler Technologies, Inc. for the ERP (Enterprises Resource Planning) Financial/HR Management Solution and Implementation Services for the total amount not to exceed \$2,319,330.00 for (5) year term effective start date September 1, 2018, through August 31, 2023, with a target go-live date of all phases system wide January 2020.*

*Fiscal impact:*

- \$ 1,255,450.00 – General Fund 03 (Includes \$105,450.00 Estimated Travel Expenses)
- \$1,063,880.00 – Measure Tech I Bond
- \$ 2,319,330.00 –Total (5) Years (Annual Recurring fees \$338,926.00 included)

**9. Discussion/Action: Child Nutrition Services Point of Service System Update**

Chris Jew, Associate Superintendent of Business Services, and Julie Kasberger, Director of General Services, will present a progress update on the recommendations from the Child Nutrition Services Audit Report FY16-02 dated August 21, 2015, originally presented to the Audit Committee on August 25, 2015, with an update on December 7, 2015 and September 12, 2017. A presentation will be given about 2 the Point of Sale System for ala carte items implementation as originally presented on September 12, 2017.

*A Point of Service/Sale is a computerized accountability system, a “Cash Register”. It is a system that captures meals served by category. The system captures cash collected from each student for each item and reconciles the food prepared with food served. It also reconciles to snack items offered to items sold.*

*The new system is Mosaic by Heartland Solutions. It utilizes current terminals and pin pads. Mosaic provided six days of on-site training. ESUHSD staff have control of program; immediate solution to problems. Point of services locations will be used at all reimbursable sites, all ala carte lines, all salad bar lines and all charter schools, except the San Jose Conservations Corps Charter School (Senter and Berger sites).*

*Some of the benefits to the new system are:*

- *Better accountability*
- *Better reports*
- *All programs are in one system*
- *Ability for cashless system*

**10. Discussion/Action: Associated Student Body (ASB)**

Chris Jew, Associate Superintendent of Business Services, Silvia Pelayo, Director of Finance, and Cathy Nguyen, Accounting Manager, will provide an update from the Vavrink, Trine, Day & Co., LLP (VTD) external auditor's results of the school sites testing as presented to the Audit Committee on March 27, 2018.

*Cathy Nguyen provided an ASB update. Continued support is being offered to all sites. Staff have been invited to a FCMAT training in San Mateo to be held in October, 2018. ASB meetings meeting are held periodically.*

*Silvia Pelayo mentioned that VTD was concerned about the lack of training, some sites not having the needed support and that there was not enough oversight and support by Business Services. In response to the audit, Business Services is working to have more interaction with the sites with continuous meetings and implementation of procedures.*

**Senior Manager of Internal Controls**

**11. Discussion/Action: Fraud, Waste and Abuse Hotline**

Kelly Kwong, Senior Manager of Internal Controls, will report on the status of the Fraud, Waste and Abuse Hotline.

*There have been no reports of fraud, waste and abuse.*

**12. Discussion/Action: Cash Handling and Associated Student Body (ASB)**

Kelly Kwong, Senior Manager of Internal Controls, will provide an update on ASB matters.

*Item was discussed under item 10. Kelly Kwong will continue to monitor ASB cash handling and ASB training.*

**13. Discussion/Action: Draft Internal Audit Report**

Kelly Kwong, Senior Manager of Internal Controls, will present the draft internal audit reports

- A. Principal Revolving Fund (FY19-1)
- B. District Clearing Account Fees – Lost Textbook Fines (FY19-2)
- C. District Clearing Account Fees – Advanced Placement Testing Fees (FY19-3)
- D. District Clearing Account Fees – Child Care Program Fees (FY19-4)

*Kelly Kwong shared the four draft audit reports (listed above). The reports will be presented to the Board at their October meeting. No changes were made to the draft audit reports.*

**14. Discussion/Action: Proposed Annual Audit Work Plan**

Kelly Kwong, Senior Manager of Internal Controls, will present the Proposed Annual Audit Work Plan for 2018-19. Audit Committee Business

*The first reading of the draft Audit Work Plan was presented to the Board of Trustees in August 2018. It is presented to the Audit Committee for input and will be presented to the Board for second reading and adoption in September 2018.*

*Chair Biehl asked the Senior Manager of Internal Controls to take a detailed look at the International Student Program, such as costs assigned to the program. Customers of the programs are located around schools that are impacted. The Board needs the information in order to make good policy decisions.*

**Audit Committee Business**

**15. Discussion/Action: Future Meetings**

- December 11, 2018

*The next meeting will be December 11, 2018, at 6 PM in the Superintendent's Conference Room.*

**16. Superintendent/Associate Superintendent/Director Communications/Comments**

- Chris Jew, Associate Superintendent of Business Services

*There were no comments made under this item.*

**17. Audit Committee Member Comments**

Individual Audit Committee members may report on programs, conferences, meetings attended and/or items of interest to the public. An Audit Committee member may wish to express a concern or observation about a topic not appearing on the agenda, or request items to be scheduled on a future agenda.

*There were no comments made under this item.*

**18. Future Agenda Items**

*Recurring calendar item:*

<i><b>Item</b></i>	<i><b>Date</b></i>	<i><b>Submitted By</b></i>
<i>Appoint Subcommittee to review Charter (Dan Juchau will review and make recommendations)</i>	<i>Fall (annually)</i>	<i>Chair</i>

**19. Adjournment**

*Chair Biehl adjourned the meeting at 8:02 PM.*

*Respectfully submitted,*

*Lan Nguyen  
Board Audit Committee Vice Chair*

**EAST SIDE UNION  
HIGH SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2018**

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# EAST SIDE UNION HIGH SCHOOL DISTRICT

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JUNE 30, 2018

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***FINANCIAL SECTION***

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

VALUE THE *difference*

## INDEPENDENT AUDITOR'S REPORT

Governing Board  
East Side Union High School District  
San Jose, California

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

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

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***Opinions***

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

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

As discussed in Note 1 and 17 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Side Union High School District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the other supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information including the Schedule of Expenditures of Federal Awards and other supplemental information, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated [REDACTED], 2018, on our consideration of the East Side Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of East Side Union High School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Side Union High School District's internal control over financial reporting and compliance.

Palo Alto, California  
[REDACTED], 2018

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Preparing every student to thrive in a global society.

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

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

### OVERVIEW OF THE FINANCIAL STATEMENTS

#### The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standard Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*.

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

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

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

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

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

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

The primary unit of the government is the East Side Union High School District.

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2018**

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### **FINANCIAL HIGHLIGHTS OF THE CURRENT YEAR**

The major financial highlights of the current year are as follows:

- The enrollment reported in the California Basic Educational Data System (CBEDS) increased 49 from 2016 -17 of 23,287 to 23,336 in 2017 -18. Second period average daily attendance (commonly known as P-2 ADA) increased by 26 from 2016 -17 of 22,055 to 22,081 in 2017 -18.
- The net Local Control Funding Formula (LCFF) ADA base is \$8,939 and supplemental per ADA is \$958 with 53.6% unduplicated count percentage of Economic Disadvantage, Foster Youth, Homeless, English Language Learner and Migrant Education Students.
- The District received a one-time discretionary grant in lieu of the Mandated Cost Reimbursement of \$3.2 million.
- The District received an additional \$2 million for the Career Technical Education Incentive Grant.
- The District accrued a liability of 2% salary increase for all employees as negotiations were not settled at the close of the fiscal year and still covers 100% medical benefit.
- The District monitors the budget conservatively and has a \$39 million unassigned general fund balance that includes \$2.8 million for the supplemental program balance. The District also has \$4.5 million restricted fund balance for various restricted categorical programs and \$8.3 million in General Reserve.

### **REPORTING THE DISTRICT AS A WHOLE**

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

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

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



# EAST SIDE UNION HIGH SCHOOL DISTRICT

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

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

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

**Governmental Activities** - Most of the District's services are reported in this category. This includes the education of 9<sup>th</sup> through 12<sup>th</sup> grade students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes and other taxes, user fees, interest income, federal, state and local grants, as well as general obligation bonds, finance these activities.

**Business-type Activities** - The District charges fees to help cover the costs of certain services it provides. The District's food services are included in the business-type activities.

### REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

#### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds. Some funds are required to be established by state law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the United States and State Department of Education.

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

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

# EAST SIDE UNION HIGH SCHOOL DISTRICT

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

### THE DISTRICT AS TRUSTEE OR AGENT

#### Reporting the District's Fiduciary Responsibilities

The District is the trustee or agent for funds held on behalf of others, like our funds for retiree benefits, associated student body and student scholarships. The District's fiduciary activities are reported in the *Statement 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.

### THE DISTRICT AS A WHOLE

#### Net Position

The District's net position was \$146.5 million deficit and \$156.1 million deficit for the fiscal years ended June 30, 2018 and 2017, respectively. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limits the Governing Board's ability to use net position for day-to-day operations. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's government-wide financial statement.

**Table 1**

	Governmental Activities		Business-Type Activities	
	2018	2017 *	2018	2017 *
Current and other assets	\$ 374,069,505	\$ 421,218,626	\$ 28,237	\$ 53,635
Capital assets	742,923,393	690,569,210	-	-
<b>Total Assets</b>	<b>1,116,992,898</b>	<b>1,111,787,836</b>	<b>28,237</b>	<b>53,635</b>
Deferred charge on refunding	7,416,588	10,091,662	-	-
Deferred outflows from pension	91,807,503	62,255,476	3,942,484	1,372,742
<b>Total Deferred Outflows</b>	<b>99,224,091</b>	<b>72,347,138</b>	<b>3,942,484</b>	<b>1,372,742</b>
Current liabilities	59,739,403	60,620,648	28,237	53,635
Long-term obligations	951,990,151	972,189,811	-	-
Net other post-employment benefit liability	39,211,778	41,321,380	764,793	826,427
Aggregate net pension liability	270,987,814	231,551,236	7,665,069	4,235,801
<b>Total Liabilities</b>	<b>1,321,929,146</b>	<b>1,305,683,075</b>	<b>8,458,099</b>	<b>5,115,863</b>
Deferred inflows of resources other than OPEB and pensions	60,093	-	-	-
Deferred inflows from OPEB	4,618,772	-	94,261	-
Deferred inflows from pension	31,336,407	30,774,926	176,085	127,261
<b>Total Deferred Inflows</b>	<b>36,015,272</b>	<b>30,774,926</b>	<b>270,346</b>	<b>127,261</b>
Net position				
Net investment in capital assets	834,380	(8,587,358)	-	-
Restricted	103,895,550	89,179,199	-	-
Unrestricted	(246,457,359)	(232,914,868)	(4,757,724)	(3,816,747)
<b>Total Net Position</b>	<b>\$ (141,727,429)</b>	<b>\$ (152,323,027)</b>	<b>\$ (4,757,724)</b>	<b>\$ (3,816,747)</b>

\* 2016-17 data reflect restated balances as result of adoption of GASB Statement No. 75. See Note 1 and 17.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

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

### Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* in the audited financial statements. Table 2 takes the information from the Statement of Activities and rearranges by revenues and expenses.

**Table 2**

	Governmental Activities		Business-Type Activities	
	2018	2017 *	2018	2017 *
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 151,566	\$ 175,038	\$ 1,436,418	\$ 1,501,004
Operating grants and contributions	42,285,098	40,387,516	4,686,397	4,955,872
Capital grants and contributions	4,453,787	-	-	-
General revenues				
State and federal sources	92,709,146	99,685,615	-	-
Taxes	226,196,052	193,393,941	-	-
Other general revenues	16,195,341	14,073,330	982,427	672,172
<b>Total Revenues</b>	<b>381,990,990</b>	<b>347,715,440</b>	<b>7,105,242</b>	<b>7,129,048</b>
<b>Expenses</b>				
Instruction related	232,444,390	223,108,320	-	-
Student support services	40,687,616	37,180,659	-	-
Administration	16,743,131	15,740,918	287,701	334,301
Maintenance and operations	29,690,139	27,054,138	-	-
Other outgo	9,325,660	7,491,668	-	-
Food services	-	-	7,758,518	6,842,413
Interest and other	41,493,444	40,076,261	-	-
<b>Total Expenses</b>	<b>370,384,380</b>	<b>350,651,964</b>	<b>8,046,219</b>	<b>7,176,714</b>
<b>Change in Net Position</b>	<b>\$ 11,606,610</b>	<b>\$ (2,936,524)</b>	<b>\$ (940,977)</b>	<b>\$ (47,666)</b>

### Governmental Activities

As reported in the *Statement of Activities* in the audited financial statements, the cost of all of our governmental activities this year was \$370.4 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$226.2 million because the cost was paid by those who benefited from the programs (\$0.2 million) or by other governments and organizations who subsidized certain programs with operating and capital grants and contributions (\$46.7 million). We paid for the remaining public benefit portion of our governmental activities with \$108.9 million in Federal and State funds that are not restricted to specific purposes and with other revenues, like interest and general entitlements.

## EAST SIDE UNION HIGH SCHOOL DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS

**JUNE 30, 2018**

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In Table 3, we have presented the total primary government fund net cost of each of the District's largest functions. As discussed earlier, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

**Table 3**

	<b>2018</b>	<b>2017</b>
Instruction and related activities	\$ 191,898,764	\$ 189,335,066
Pupil services	36,844,718	32,389,436
General administration	15,783,162	14,578,055
Maintenance and operations	29,203,388	26,577,732
Interest	38,431,063	37,055,227
Other	11,332,834	10,153,894
<b>Totals</b>	<b>\$ 323,493,929</b>	<b>\$ 310,089,410</b>

### THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$365.1 million, which was an increase of \$2.4 million from last year. The increase in the combined fund balance was due to the increase in the Building Fund balance from on-going construction activities related to the bond programs and the Bond Interest and Redemption Fund.

#### General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted in June 2017. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report page 76).

The State Local Control Funding Formula (LCFF) revenue is the main funding source or general fund for the general operation expenditures of the District. The net LCFF ADA base is \$8,939 and supplemental per ADA is \$958 with 53.6% unduplicated count percentage of Economic Disadvantage, Foster Youth, Homeless, English Language Learner and Migrant Education Students. The enrollment reported in the California Basic Educational Data System (CBEDS) increased 49 from 2016-17 of 23,387 to 23,336 in 2017-18. Second period average daily attendance (commonly known as P-2 ADA) increased by 26 from 2016-17 of 22,055 to 22,081 in 2017-18.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

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

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### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2018, the District governmental activities had \$742.9 million in a broad range of capital assets. This amount represents a net increase (including additions, deductions and depreciation) of \$52.4 million, or 7.6%, from last year.

**Table 4**

	Governmental Activities	
	2018	2017
Land	\$ 25,442,454	\$ 25,442,454
Construction in progress	128,167,067	98,988,353
Buildings and improvements	819,561,696	784,591,014
Furniture and equipment	40,913,983	26,278,973
Total Assets	1,014,085,200	935,300,794
Less Accumulated Depreciation	271,161,807	244,731,584
<b>Totals</b>	<b>\$ 742,923,393</b>	<b>\$ 690,569,210</b>

Several capital projects are planned for the 2018 -19 and 2019 -20 fiscal years. We anticipate capital expenditures to be approximately \$73 million for the two upcoming fiscal years.

#### **Major Projects Completed for Fiscal Year 2017-18:**

- Andrew Hill High School – Courtyards, Site and Infrastructure Improvements
- Andrew Hill High School – Emergency Repair Program Roofing
- Andrew Hill High School – Emergency Repair Program HVAC Mechanical
- Andrew Hill High School – Emergency Repair Program Doors and Windows
- Andrew Hill High School – Emergency Repair Program Plumbing
- Independence High School – Building J Modernization
- Independence High School – Infrastructure Exterior Painting
- James Lick High School – Emergency Repair Program Roofing
- James Lick High School – Emergency Repair Program HVAC Mechanical
- James Lick High School – Emergency Repair Program Doors and Windows
- James Lick High School – Emergency Repair Program Plumbing
- Santa Teresa High School – New Field Concession Building
- Silver Creek High School – New Field Concession Building
- Silver Creek High School – Modernization of Building N
- W.C. Overfelt High School – Modernization of Building J and renamed the building to L Building
- W.C. Overfelt High School – Emergency Repair Program Roofing
- W.C. Overfelt High School – Emergency Repair Program Plumbing
- Yerba Buena High School – Emergency Repair Program Roofing
- District Wide – Security Camera Upgrades
- District Wide – Mechanical and Electrical Upgrades Phase I

## **EAST SIDE UNION HIGH SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2018**

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#### **The Following Capital Projects are Planned for Fiscal Year 2018-19:**

- Alternative Education – Adult Transition Program North
- Andrew Hill High School – Windows Replacement in Building F (Gym)
- Andrew Hill High School – Infrastructure Exterior Painting
- Evergreen Valley High School – Infrastructure Exterior Painting
- Foothill High School – Building F Hooper Hall Modernization
- Foothill High School – Quad Upgrade and Infrastructure Improvements
- Independence High School – Alternative Education Facility Upgrades Including Buildings G, H, K, and L
- Independence Adult Center – Administration New Building and Miscellaneous Improvements Phase I
- James Lick High School – New Student Center and Quad Modernization
- James Lick High School – Site Infrastructure Improvements
- James Lick High School – New Parking Lot (Charter School – Escuela Popular)
- Mt. Pleasant High School – New Student Center and Quad Modernization
- Oak Grove High School – New Security Fence
- Oak Grove High School – Student Center and Quad Renovation
- Oak Grove High School – Renovate Buildings H1/H2 Restrooms
- Piedmont Hills High School – New Classroom Buildings D1/D2
- Piedmont Hills High School – Site Infrastructure Improvements
- Phoenix High School – New Science Classroom/Restroom Building T-100 and Courtyard
- Santa Teresa High School – Improve Entry and Upgrade Safety Measures at Student Parking Lot
- Santa Teresa High School – Upgrade Landscape and Hardscape
- Santa Teresa High School – Upgrades in Multipurpose Building 1300
- Santa Teresa High School – Upgrade Theater Building 600
- Santa Teresa High School – Infrastructure Improvements
- Santa Teresa High School – Track and Field Improvements
- W.C. Overfelt High School – New Music/Art and Administration Building and Quad Modernization
- W.C. Overfelt High School – Infrastructure
- Yerba Buena High School – Alternative Education Mini Campus Improvements New Restroom Building
- Yerba Buena High School – New Student Center and Quad Modernization
- Yerba Buena High School – Replacement of Field Concession Building
- Yerba Buena High School – Infrastructure Exterior Painting
- District Wide – Fire Alarm Upgrades
- District Wide – Doors Replacement (Locks)
- District Wide – Concrete, Hard Surface Play Court, Asphalt, and Parking Lot Phase I
- District Wide – Swimming Pools Modernizations
- District Wide – Infrastructure – ADA Walkway at Andrew Hill, Independence, and Yerba Buena High Schools Phase I
- District Wide – Infrastructure – Site Hardscape at Andrew Hill, Santa Teresa and Yerba Buena High Schools Phase I
- District Wide – Infrastructure – Synthetic Turf Field at Andrew Hill, Foothill, James Lick, Oak Grove, Piedmont Hills, and Yerba Buena High Schools
- District Wide – Mechanical and Electrical Upgrades Phase II
- District Wide – Roofing Replacements

# EAST SIDE UNION HIGH SCHOOL DISTRICT

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

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### The Following Capital Projects are Planned for Fiscal Year 2019-20:

- Alternative Education – Adult Transition Program North
- Independence Adult Center – Administration New Building and Miscellaneous Improvements Phase II
- Independence High School – Infrastructure – Electrical Services
- Independence High School – New Auxiliary Gym
- Santa Teresa High School – Track and Field Improvements
- W.C. Overfelt High School – New Music/Art and Administration Building and Quad Modernization
- District Wide – Concrete, Hard Surface Play Court, Asphalt, and Parking Lot Phase II
- District Wide – Tree Trimming
- District Wide – Infrastructure – ADA Walkway at Andrew Hill, Independence, and Yerba Buena High Schools Phase II
- District Wide – Infrastructure – Site Hardscape at Andrew Hill, Santa Teresa and Yerba Buena High Schools Phase II
- District Wide – Mechanical and Electrical Upgrades Phase III

### Long-Term Obligations Other Than Pension Liability

**Table 5**

	Governmental Activities	
	2018	2017
General obligation bonds	\$ 863,827,020	\$ 876,814,244
Premium	56,806,806	60,174,890
OPEB revenue bonds	28,860,000	29,440,000
Supplemental retirement plan	-	3,386,500
Capital lease	238,350	-
Compensated absences (vacation)	2,257,975	2,374,177
<b>Totals</b>	<b>\$ 951,990,151</b>	<b>\$ 972,189,811</b>

The District's general obligation bond rating is "A+". The State limits the amount of general obligation debt that districts can issue to 1.25 % of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$952 million is below the statutorily imposed limit.

We present more detailed information regarding our long-term obligations in Note 10 of the financial statements.

### Net Pension Liability (NPL)

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

## EAST SIDE UNION HIGH SCHOOL DISTRICT

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

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The District implemented GASB Statements No. 68, *Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27, Accounting for Pension by State and Local Governmental Employers*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68* for the fiscal year ended June 30, 2018. As a result, the District reported its proportionate share of the net pension liabilities, pension expense and deferred inflows of resources and deferred outflows of resources for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 210,892,070	\$ 74,922,406	\$ 29,983,924	\$ 21,228,418
CalPERS	67,760,813	20,827,581	1,528,568	13,172,654
Total	<u>\$ 278,652,883</u>	<u>\$ 95,749,987</u>	<u>\$ 31,512,492</u>	<u>\$ 34,401,072</u>

#### SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2017-18 ARE NOTED BELOW:

2017-18 marks the second year the District has implemented the Local Control Accountability Plan (LCAP). The LCAP is intended to be a comprehensive planning tool to assist with developing goals, actions and plan expenditures related to the state and local priorities. The eight state priorities: Basic Services, Implementation of State Standards, Parental Involvement, Pupil Achievement, Pupil Engagement, School Climate, Course Access and Other Pupil Outcomes, with the overarching goal of preparing all students for college and careers. Some information required in the LCAP is mandated while others are locally defined. The actual annual measurable outcomes were reported in the 2017-18 LCAP report.

Data specified in the LCAP includes the Key Performance Measures (KPMs) specified in the District Strategic Plan. These measures include graduation rate, dropout rate and UC/CSU A-G Course completion. The rates are published a year behind, so the most current data available is for the class of 2016-17. The new 4 year cohort graduation rate called the Adjusted Cohort Graduation Rate (ACGR) begins with the class of 2016-17. Because the calculation and definitions have changed with the ACGR, the graduation rate, dropout rate, and UC/CSU A-G Course completion cannot be compared to prior years. The overall district graduation rate for 2016-17 is 83.4%. For 2016-17 the dropout rate is 9.8%. The percent of students graduating in 2016-17 who completed the UC/CSU A-G course requirements district wide is 46.5%.

The District encourages all students enrolled in the Advanced Placement (AP) courses to take the AP exam. Correlation between college enrollment and exams taken in AP is very high. For 2017-18, a total of 10,577 AP exams were taken and there were a total of 5,456 students who took the exams. 276 fewer AP tests were taken in 2017-18 than the year prior and 110 fewer students took exams. Using CBEDS enrollment for grades 10-12, 31.4% of students took at least one AP test and of those students, 66.8% scored a 3 or higher out of possible 5 on at least one exam.

The District provides all 10<sup>th</sup> grade students the opportunity to take the Preliminary Scholastic Aptitude Test (PSAT) free of charge. This exam prepares students to take the PSAT again or Scholastic Aptitude Test (SAT) as 11<sup>th</sup> graders the following year. Depending on the results, 11<sup>th</sup> grade students who take the PSAT may qualify for college scholarships through the National Merit Scholarship Program. In 2017-18, 57% of students met the college readiness indicator in English, and 38% of students met the college readiness indicator in math on the PSAT.



## **EAST SIDE UNION HIGH SCHOOL DISTRICT**

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

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The California Assessments of Student Performance and Progress (CAASPP) are given each year in both English Language Arts/Literacy (ELA/Literacy) and Mathematics to 11<sup>th</sup> graders. In 2017-18, 61% of 11<sup>th</sup> grade students met or exceeded standard on the ELA/Literacy exam, which is lower than the county rate and higher than the state rate. 40% of 11<sup>th</sup> grade students met or exceeded standard on the Mathematics exam, which is lower than the county rate and higher than the state rate.

Over the past two years, our students have developed projects that are based on real world needs:

- Student film, Dreamers, was selected into three film festivals, Big Ideas Film Festival, Official Latino Film and Arts Festival, and New Filmmakers NY Film Festival. The film was selected among professional filmmakers across the country. Huge achievement and honor for a film created by high school students.
- All-girls robotics team, Athena Robotics, won the Inspire Award at the FIRST Tech Challenge (FTC) San Jose Qualifying Tournament. This award is the most prestigious award in the FTC robotics competition. Recognized in the robotics community, the team helps other FTC teams across the Bay Area while working to bridge the gender gap in STEM. The team is active in the community: co-hosting workshops and hackathons, demonstrating at elementary/middle schools and libraries, and volunteering at local nonprofits that support youth education in STEM. Currently, the team has reached more than a thousand youths around the world.
- Two students participated in the Cyber Security Awareness Week (CSAW '17). It is the largest student-run cyber security event in the world, featuring international competitions, workshops, and industry events. Out of 432 high school teams that participated worldwide, Anne and Sophia's team (Traveling Salescrow) qualified as one of the top ten US finalists. The writing competition topic was race and law enforcement. The District Attorney, Jeff Rosen, was interested in students' thoughts about the rising tension between law enforcement agencies and the communities they serve and how they can work together to make things better.
- The Student Governing Board was created as an opportunity to give students a voice on items discussed at board meetings and study sessions. The Student Governing Board (SGB) is comprised of 13 student members and attend a monthly meeting to develop and discuss board items that will represent what students are most interested in. The Chair will attend and participate in all school Board meetings by sitting on the dais and cast an advisory vote on agenda items.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The State budget continues to be reflective of steady economic improvement; however, the CalSTRS and CalPERS, the certificated and classified, respectively, personnel retirement systems, employer's rates are going up progressively from 2014-15 through 2021-22. The State does not provide extra funding for the District to cover the increasing obligation.

The LCFF is 100% funded for 2018-19 with the unduplicated count percentage at 54.2%. The District student enrollment is projected to decrease by 706 for 2018-19, and anticipates a continuous decline in 2019-20. The projected 2018-19 and 2019-20 CBEDS enrollment is 22,630 and 22,320, respectively.

## **EAST SIDE UNION HIGH SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2018**

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The District projects to receive another one time discretionary grant in lieu of the Mandated Cost Reimbursement of \$4.1 million in 2018-19.

In 2017-18, the District accepted and enrolled 19 international students in the International Student Program. In 2018-19, the District has accepted and enrolled 28 students for this program. The program is continuing to grow and is on pace to reach new heights in 2019-20.

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

This financial report is designed to provide our citizens, taxpayers, students, and 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 any additional financial information, contact the Associate Superintendent of Business Services or Director of Finance, at East Side Union High School District, 830 North Capitol Avenue, San Jose, California, 95133.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Deposits and investments	\$ 358,571,670	\$ 2,651,679	\$ 361,223,349
Receivables	10,538,401	610,457	11,148,858
Internal balances	3,351,850	(3,351,850)	-
Prepaid expenses	1,423,647	-	1,423,647
Stores inventories	183,937	117,951	301,888
Capital assets not depreciated	153,609,521	-	153,609,521
Capital assets, net of accumulated depreciation	589,313,872	-	589,313,872
<b>Total Assets</b>	<b>1,116,992,898</b>	<b>28,237</b>	<b>1,117,021,135</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	7,416,588	-	7,416,588
Deferred outflows of resources related to pensions	91,807,503	3,942,484	95,749,987
<b>Total Deferred Outflows of Resources</b>	<b>99,224,091</b>	<b>3,942,484</b>	<b>103,166,575</b>
<b>LIABILITIES</b>			
Accounts payable	31,945,074	28,237	31,973,311
Interest payable	16,446,217	-	16,446,217
Unearned revenue	10,262,360	-	10,262,360
Claims liabilities	1,085,752	-	1,085,752
Long-term obligations other than OPEB and pensions:			
Current portion of long-term obligations	59,849,451	-	59,849,451
Noncurrent portion of long-term obligations	892,140,700	-	892,140,700
Net other post-employment benefits liability	39,211,778	764,793	39,976,571
Aggregate net pension liability	270,987,814	7,665,069	278,652,883
<b>Total Liabilities</b>	<b>1,321,929,146</b>	<b>8,458,099</b>	<b>1,330,387,245</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources other than OPEB and pensions	60,093	-	60,093
Deferred inflows of resources related to OPEB	4,618,772	94,261	4,713,033
Deferred inflows of resources related to pensions	31,336,407	176,085	31,512,492
<b>Total Deferred Inflows of Resources</b>	<b>36,015,272</b>	<b>270,346</b>	<b>36,285,618</b>
<b>NET POSITION</b>			
Net investment in capital assets	834,380	-	834,380
Restricted for:			
Debt service	63,036,512	-	63,036,512
Capital projects	26,924,158	-	26,924,158
Educational programs	5,058,676	-	5,058,676
Self insurance	8,876,204	-	8,876,204
Unrestricted	(246,457,359)	(4,757,724)	(251,215,083)
<b>Total Net Position</b>	<b>\$ (141,727,429)</b>	<b>\$ (4,757,724)</b>	<b>\$ (146,485,153)</b>

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

# EAST SIDE UNION HIGH SCHOOL DISTRICT

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
Instruction	\$ 193,221,835	\$ 85,387	\$ 25,984,130	\$ 4,453,787
Instruction-related activities:				
Supervision of instruction	18,895,318	30,032	7,068,771	-
Instructional library and technology	980,278	-	80,976	-
School site administration	19,346,959	4,766	2,837,777	-
Pupil services:				
Home-to-school transportation	8,699,893	-	-	-
All other pupil services	31,987,723	26,322	3,816,576	-
Administration:				
Data processing	3,556,960	-	-	-
All other administration	13,186,171	903	959,066	-
Maintenance and operations	29,690,139	36	486,715	-
Ancillary services	3,010,978	519	93,085	-
Community services	51,403	1,108	40,946	-
Interest on long-term obligations	38,431,063	-	-	-
Other outgo	9,325,660	2,493	917,056	-
<b>Total Governmental Activities</b>	<b>370,384,380</b>	<b>151,566</b>	<b>42,285,098</b>	<b>4,453,787</b>
<b>Business-Type Activities:</b>				
Food services	7,758,518	1,378,256	4,496,638	-
Administration	287,701	58,162	189,759	-
<b>Total Business-Type Activities</b>	<b>8,046,219</b>	<b>1,436,418</b>	<b>4,686,397</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 378,430,599</b>	<b>\$ 1,587,984</b>	<b>\$ 46,971,495</b>	<b>\$ 4,453,787</b>

### General revenues and subventions:

Property taxes, levied for general purposes  
 Property taxes, levied for debt service  
 Taxes levied for other specific purposes  
 Federal and State aid not restricted to specific purposes  
 Interest and investment earnings  
 Interagency revenues  
 Transfers  
 Miscellaneous

### Subtotal General Revenues

### Change in Net Position

Net Position - Beginning, as restated (see Notes 1 and 17)

Net Position - Ending

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

Net Revenues (Expenses) and Change in Net Position		
Governmental Activities	Business- Type Activities	Total
\$ (162,698,531)	\$ -	\$ (162,698,531)
(11,796,515)	-	(11,796,515)
(899,302)	-	(899,302)
(16,504,416)	-	(16,504,416)
(8,699,893)	-	(8,699,893)
(28,144,825)	-	(28,144,825)
(3,556,960)	-	(3,556,960)
(12,226,202)	-	(12,226,202)
(29,203,388)	-	(29,203,388)
(2,917,374)	-	(2,917,374)
(9,349)	-	(9,349)
(38,431,063)	-	(38,431,063)
(8,406,111)	-	(8,406,111)
(323,493,929)	-	(323,493,929)
-	(1,883,624)	(1,883,624)
-	(39,780)	(39,780)
-	(1,923,404)	(1,923,404)
(323,493,929)	(1,923,404)	(325,417,333)
139,760,959	-	139,760,959
83,262,848	-	83,262,848
3,172,245	-	3,172,245
92,709,146	-	92,709,146
4,486,159	-	4,486,159
352,979	-	352,979
-	982,427	982,427
11,356,203	-	11,356,203
335,100,539	982,427	336,082,966
11,606,610	(940,977)	10,665,633
(153,334,039)	(3,816,747)	(157,150,786)
\$ (141,727,429)	\$ (4,757,724)	\$ (146,485,153)

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

### BALANCE SHEET

JUNE 30, 2018

	General Fund	Building Fund
<b>ASSETS</b>		
Deposits and investments	\$ 58,123,338	\$ 180,964,374
Receivables	8,275,523	806,261
Due from other funds	4,318,643	-
Prepaid expenditures	-	332,021
Stores inventories	183,937	-
<b>Total Assets</b>	<b>\$ 70,901,441</b>	<b>\$ 182,102,656</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 20,217,617	\$ 10,736,081
Due to other funds	-	-
Unearned revenue	7,248,536	-
<b>Total Liabilities</b>	<b>27,466,153</b>	<b>10,736,081</b>
<b>Deferred Inflow of Resources:</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>		
Nonspendable	186,437	332,021
Restricted	4,535,195	171,034,554
Committed	-	-
Unassigned	38,713,656	-
<b>Total Fund Balances</b>	<b>43,435,288</b>	<b>171,366,575</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 70,901,441</b>	<b>\$ 182,102,656</b>

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

<b>Bond Interest and Redemption Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 79,285,603	\$ 31,324,535	\$ 349,697,850
197,126	1,259,491	10,538,401
-	-	4,318,643
-	-	332,021
-	-	183,937
<u>\$ 79,482,729</u>	<u>\$ 32,584,026</u>	<u>\$ 365,070,852</u>
\$ -	\$ 987,886	\$ 31,941,584
-	966,793	966,793
-	3,013,824	10,262,360
-	4,968,503	43,170,737
-	60,093	60,093
-	-	518,458
79,482,729	27,447,639	282,500,117
-	107,791	107,791
-	-	38,713,656
<u>79,482,729</u>	<u>27,555,430</u>	<u>321,840,022</u>
<u>\$ 79,482,729</u>	<u>\$ 32,584,026</u>	<u>\$ 365,070,852</u>

# EAST SIDE UNION HIGH SCHOOL DISTRICT

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

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

<b>Total Fund Balance - Governmental Funds</b>		<b>\$ 321,840,022</b>
Capital assets used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 1,014,085,200	
Accumulated depreciation is	<u>(271,161,807)</u>	742,923,393
Costs resulting from advance refunding are expensed in the governmental funds. On the government-wide statements, they are deferred and amortized over the life of the related debt.		7,416,588
Deferred inflows and outflows related to pension liability are not due in the current period and therefore are not reported on the governmental funds.		60,471,096
Deferred inflows related to OPEB are not due in the current period and therefore are not reported on the governmental funds.		(4,618,772)
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term obligations is recognized when it is incurred.		(16,446,217)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		8,876,204
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Long-term liabilities at year end consist of:		
General obligation bonds	(863,827,020)	
Bond premiums	(56,806,806)	
OPEB revenue bonds	(28,860,000)	
Capital leases payable	(238,350)	
Compensated absences (vacation)	(2,257,975)	
Net OPEB liability	(39,211,778)	
Net pension liability	<u>(270,987,814)</u>	(1,262,189,743)
<b>Total Net Position - Governmental Activities</b>		<b><u>\$ (141,727,429)</u></b>

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



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# EAST SIDE UNION HIGH SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

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

	General Fund	Building Fund
<b>REVENUES</b>		
Local control funding formula	\$ 224,061,119	\$ -
Federal sources	10,848,247	-
Other State sources	26,077,181	49
Other local sources	11,309,658	3,145,363
<b>Total Revenues</b>	<b>272,296,205</b>	<b>3,145,412</b>
<b>EXPENDITURES</b>		
Current		
Instruction	159,301,664	-
Instruction-related activities:		
Supervision of instruction	16,394,217	-
Instructional library and technology	797,509	-
School site administration	14,040,940	-
Pupil services:		
Home-to-school transportation	7,489,888	-
All other pupil services	27,246,670	-
Administration:		
Data processing	3,053,590	-
All other administration	10,707,488	-
Maintenance and operations	22,157,188	-
Ancillary services	2,583,188	-
Community services	44,041	-
Other outgo	9,325,660	-
Capital outlay	2,000	79,519,741
Debt service		
Principal	682,150	-
Interest and other	1,579,171	-
<b>Total Expenditures</b>	<b>275,405,364</b>	<b>79,519,741</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(3,109,159)</b>	<b>(76,374,329)</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	-	-
Proceeds from sale of bonds	340,500	20,000,000
Transfers out	(1,794,094)	-
<b>Net Financing Sources (Uses)</b>	<b>(1,453,594)</b>	<b>20,000,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(4,562,753)</b>	<b>(56,374,329)</b>
<b>Fund Balance - Beginning</b>	<b>47,998,041</b>	<b>227,740,904</b>
<b>Fund Balance - Ending</b>	<b>\$ 43,435,288</b>	<b>\$ 171,366,575</b>

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

<b>Bond Interest and Redemption Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ 224,061,119
-	1,383,855	12,232,102
496,153	16,842,226	43,415,609
83,304,269	2,841,276	100,600,566
83,800,422	21,067,357	380,309,396
-	6,507,920	165,809,584
-	638,024	17,032,241
-	43,572	841,081
-	2,560,795	16,601,735
-	-	7,489,888
-	211,292	27,457,962
-	-	3,053,590
-	271,221	10,978,709
-	603,331	22,760,519
-	-	2,583,188
-	-	44,041
-	-	9,325,660
-	6,133,165	85,654,906
34,970,711	-	35,652,861
35,291,474	-	36,870,645
70,262,185	16,969,320	442,156,610
13,538,237	4,098,037	(61,847,214)
-	711,667	711,667
1,765,798	-	22,106,298
-	-	(1,794,094)
1,765,798	711,667	21,023,871
15,304,035	4,809,704	(40,823,343)
64,178,694	22,745,726	362,663,365
\$ 79,482,729	\$ 27,555,430	\$ 321,840,022

## EAST SIDE UNION HIGH SCHOOL DISTRICT

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

---

Total Net Change in Fund Balances - Governmental Funds \$ (40,823,343)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceed depreciation in the period.

Capital outlays	\$ 79,945,411	
Depreciation expense	<u>(27,548,172)</u>	52,397,239

Loss on disposal of capital assets is reported in the government-wide statement of net position, but is not recorded in the governmental funds. (43,056)

Proceeds received from bonds are revenues in the governmental funds, but increase long-term obligations in the statement of net position and does not affect the statement of activities. (20,000,000)

Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the statement of activities, but rather constitute long-term obligations in the statement of net position. (340,500)

Accretion of interest on capital appreciation bonds is recorded as an expense in the government-wide statement of activities, but is not recorded in the governmental funds. (1,983,487)

Premium received from issuance of bonds is a revenue in the governmental funds, but it increases long-term obligations in the statement of net position and does not affect the statement of activities. (1,751,065)

Repayment of the long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities. Debt repayments for the year were as follows:

General obligation bonds	34,970,711	
OPEB revenue bonds	580,000	
Capital lease	102,150	
Supplemental retirement payment	<u>3,386,500</u>	39,039,361

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

## EAST SIDE UNION HIGH SCHOOL DISTRICT

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

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Interest on long-term obligations in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is paid, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is paid. The additional interest reported in the statement of activities is the net result of these two factors.	(2,021,006)
Amortization of premiums of the bonds is not a revenue source in the governmental funds, but is reflected as a revenue in the statement of activities.	5,119,149
Amortization of bond defeasance cost is not recognized in the governmental funds. In the government-wide statements, it is amortized over the life of the related bond.	(2,675,074)
In the statement of activities, certain operating expenses - compensated absences (vacation) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation used was more than the amounts earned by \$116,202.	116,202
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the statement of activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.	(10,446,032)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the statement of activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows and net OEPB liability during the year.	(1,498,158)
An internal service fund is used by the District's management to charge the costs of the health and dental insurance program to the individual funds. The net gain of the internal service fund is reported with the government-wide activities.	(3,483,620)
<b>Change in Net Position - Governmental Activities</b>	<b>\$ 11,606,610</b>

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

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## PROPRIETARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2018

	Business-Type Activities- Enterprise Fund	Governmental Activities- Internal Service Fund	Memorandum Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Deposits and investments	\$ 2,651,679	\$ 8,873,820	\$ 11,525,499
Receivables	610,457	-	610,457
Prepaid expenses	-	1,091,626	1,091,626
Stores inventories	117,951	-	117,951
<b>Total Current Assets</b>	<b>3,380,087</b>	<b>9,965,446</b>	<b>13,345,533</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	28,237	3,490	31,727
Due to other funds	3,351,850	-	3,351,850
Claim liabilities	-	1,085,752	1,085,752
<b>Total Current Liabilities</b>	<b>3,380,087</b>	<b>1,089,242</b>	<b>4,469,329</b>
<b>NET POSITION</b>			
Restricted for insurance programs	-	8,876,204	8,876,204
<b>Total Net Position</b>	<b>\$ -</b>	<b>\$ 8,876,204</b>	<b>\$ 8,876,204</b>

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

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## PROPRIETARY FUNDS

### STATEMENT OF REVENUES, EXPENSES AND CHANGES

#### IN NET POSITION

#### FOR THE YEAR ENDED JUNE 30, 2018

	Business-Type Activities- Enterprise Fund	Governmental Activities- Internal Service Fund	Memorandum Total
<b>OPERATING REVENUES</b>			
Food sales	\$ 1,436,418	\$ -	\$ 1,436,418
Indistrict contributions	-	11,564,883	11,564,883
Other local revenue	3,838	236,617	240,455
<b>Total Operating Revenues</b>	<b>1,440,256</b>	<b>11,801,500</b>	<b>13,241,756</b>
<b>OPERATING EXPENSES</b>			
Payroll costs	4,846,614	5,100,000	9,946,614
Supplies and materials	1,912,555	959	1,913,514
Equipment rental	4,477	135,473	139,950
Claims	-	10,069,802	10,069,802
Other operating expenses	341,596	78,886	420,482
<b>Total Operating Expenses</b>	<b>7,105,242</b>	<b>15,385,120</b>	<b>22,490,362</b>
<b>Operating Loss</b>	<b>(5,664,986)</b>	<b>(3,583,620)</b>	<b>(9,248,606)</b>
<b>NONOPERATING REVENUES</b>			
Federal grants	4,358,781	-	4,358,781
State grants	323,778	-	323,778
Other transfer in	982,427	100,000	1,082,427
<b>Total Nonoperating Revenues</b>	<b>5,664,986</b>	<b>100,000</b>	<b>5,764,986</b>
<b>Change in net position</b>	<b>-</b>	<b>(3,483,620)</b>	<b>(3,483,620)</b>
<b>Total Net Position - Beginning</b>	<b>-</b>	<b>12,359,824</b>	<b>12,359,824</b>
<b>Total Net Position - Ending</b>	<b>\$ -</b>	<b>\$ 8,876,204</b>	<b>\$ 8,876,204</b>

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

# EAST SIDE UNION HIGH SCHOOL DISTRICT

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

	Business- Type Activities- Enterprise Fund	Governmental Activities- Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from user charges	\$ 1,534,356	\$ 236,631
Cash received from indistrict contributions	-	11,564,883
Cash payments to employees for services	(4,846,614)	(5,100,000)
Cash payments for insurance claims	-	(10,886,129)
Cash payments to suppliers for goods and services	(1,910,092)	(16,111)
Cash payments for equipment rental	(4,477)	(135,473)
Cash payments for other operating expenses	(341,596)	(78,886)
Net Cash Used For Operating Activities	<u>(5,568,423)</u>	<u>(4,415,085)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Operating grants and contributions	4,682,559	-
Cash received from general fund	1,273,675	100,000
Net Cash Provided by Financing Activities	<u>5,956,234</u>	<u>100,000</u>
Net increase (decrease) in cash and cash equivalents	387,811	(4,315,085)
Cash and cash equivalents - Beginning	2,263,868	13,188,905
Cash and cash equivalents - Ending	<u>\$ 2,651,679</u>	<u>\$ 8,873,820</u>
<b>RECONCILIATION OF OPERATING LOSS</b>		
<b>TO NET CASH USED FOR OPERATING ACTIVITIES</b>		
Operating loss	\$ (5,664,986)	\$ (3,583,620)
Changes in assets and liabilities:		
Receivables	94,100	14
Prepaid expense	-	(538,692)
Stores inventories	27,861	-
Accounts payable	(25,398)	(15,152)
Claims liabilities	-	(277,635)
<b>NET CASH USED FOR OPERATING ACTIVITIES</b>	<u>\$ (5,568,423)</u>	<u>\$ (4,415,085)</u>

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



# EAST SIDE UNION HIGH SCHOOL DISTRICT

## FIDUCIARY FUNDS

### STATEMENT OF NET POSITION

JUNE 30, 2018

	<b>Student Scholarship Trust Fund</b>	<b>Associated Student Body Agency Fund</b>	<b>Memorandum Total</b>
<b>ASSETS</b>			
Deposits and investments	\$ 650,215	\$ 2,010,863	\$ 2,661,078
<b>Total assets</b>	<u>650,215</u>	<u>2,010,863</u>	<u>2,661,078</u>
<b>LIABILITIES</b>			
Due to student groups	\$ -	\$ 2,010,863	\$ 2,010,863
<b>Total Liabilities</b>	<u>-</u>	<u>2,010,863</u>	<u>2,010,863</u>
<b>NET POSITION</b>			
Restricted	<u>\$ 650,215</u>	<u>\$ -</u>	<u>\$ 650,215</u>

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

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **FIDUCIARY FUNDS STATEMENT OF CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2018**

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	<b><u>Student Scholarship Trust Fund</u></b>
<b>ADDITIONS</b>	
Investment income	\$ 54,771
<b>Total Additions</b>	<u>54,771</u>
<b>DEDUCTIONS</b>	
Scholarships awarded	\$ 64,570
<b>Total Deductions</b>	<u>64,570</u>
<b>Change in Net Position</b>	(9,799)
<b>Net Position - Beginning</b>	660,014
<b>Net Position - Ending</b>	<u><u>\$ 650,215</u></u>

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

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

The East Side Union High School District was organized in 1949 under the laws of the State of California. The District operates under a locally-elected five-member Governing Board form of government and provides educational services to grades 9-12 as mandated by the State and/or Federal agencies. The District operates 11 high schools, 3 adult education sites, 1 independent study program, 4 continuation schools, 7 child care centers and 1 alternative school.

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 the District, this includes general operations, food service, and student related activities of the District. The District determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

#### Basis of Presentation - Fund Accounting

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

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

#### Major Governmental Funds

**General Fund** The General Fund is the chief operating fund for the District. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

One fund currently defined as a special revenue fund in the California State Accounting Manual (CSAM) does not meet the GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

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

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

---

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

### Non-Major Governmental Funds

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

**Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues that are restricted or committed for adult education programs and is to be expended for adult education purposes only.

**Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

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

**Capital Project Funds** The Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

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

**County School Facilities Fund** The County School Facilities Fund is established pursuant to *California Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*California Education Code* Section 17070 et seq.).

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

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

---

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

**Enterprise Fund** Enterprise Funds may be used to account for any activity for which a fee is charged to external users for goods or services. The enterprise fund of the District accounts for the financial transactions related to the food service operations of the District.

**Internal Service Fund** Internal Service Funds may be used to account for goods or services provided to other funds of the District on a cost-reimbursement basis. The District operates a dental and vision insurance program that is accounted for in an internal service fund.

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

The District operates trust and agency fund types. Agency funds are custodial in nature (assets equal liabilities) 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. The District's agency fund accounts for Associated Student Body (ASB) activities. Trust fund is used to account for the assets held by the District under a trust agreement for individuals and therefore not available to support the District's own programs. The District's trust fund is the Student Scholarship Fund.

### **Basis of Accounting - Measurement Focus**

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

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the District and for each governmental program, and excludes fiduciary activity. Direct expenses are those that are specifically associated with a function or program, 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 the goods or services offered by the programs, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to remove the double counting of internal activities.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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Net position should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their net asset use.

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

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

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

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

**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. To achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year end: State apportionments, interest, certain grants, and other local sources.

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

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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**Unearned Revenue** Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

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

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

### **Cash and Cash Equivalents**

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

### **Investments**

Investments held at June 30, 2018, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

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

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

### **Stores Inventories**

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

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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### **Capital Assets and Depreciation**

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

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

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the general capital assets.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings and improvements, 20 to 50 years; and furniture and equipment, 2 to 10 years.

### **Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

### **Compensated Absences (Vacation)**

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

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, under the California Public Employees' Retirement System, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees under the California State Teachers' Retirement System, 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.



# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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

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

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

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

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

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

### **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items.

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

### **Postemployment Benefits Other Than Pensions (OPEB)**

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

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### Pensions

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

### Fund Balances - Governmental Funds

As of June 30, 2018, fund balances of the governmental funds are classified as follows:

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

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

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

**Assigned** - Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the Governing Board or Superintendent may assign amounts for specific purposes.

**Unassigned** - All other spendable amounts.

### Minimum Fund Balance Policy

The Governing Board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted one time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses. For a district this size, the State recommends available reserve of three percent.

### Spending Order Policy

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

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

### **JUNE 30, 2018**

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#### **Net Position**

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

#### **Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are food service sales to the enterprise fund and employer contributions to the internal service fund. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expenses.

#### **Interfund Activity**

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the governmental and business-type activities columns of the statement of activities, except for the net residual amounts transferred between governmental and business-type activities.

#### **Estimates**

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

#### **Budgetary Data**

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

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments by the State for the California Public Employees' Retirement System have not been included as revenue and expenditures as required under generally accepted accounting principles.

### Property Tax

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

### Change in Accounting Principles

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

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

The District has implemented the provisions of this Statement as of June 30, 2018.

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

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation;
- Reporting amounts previously reported as goodwill and "negative" goodwill;
- Classifying real estate held by insurance entities;
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost;

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- Recognizing on behalf payments for pensions or OPEB in employer financial statements;
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- Classifying employer-paid member contributions for OPEB;
- Simplifying certain aspects of the alternative measurement method for OPEB; and
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The District has implemented the provisions of this Statement as of June 30, 2018.

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

The District has implemented the provisions of this Statement as of June 30, 2018.

### **New Accounting Pronouncements**

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

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

The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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

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

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

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

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

Governmental funds	\$ 349,697,850
Proprietary funds	11,525,499
Fiduciary funds	2,661,078
Total Deposits and Investments	<u>\$ 363,884,427</u>

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

Cash on hand and in banks	\$ 3,057,584
Cash in revolving	2,600
Investments	360,824,243
Total Deposits and Investments	<u>\$ 363,884,427</u>

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### Policies and Practices

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

**Investment in Santa Clara County Treasury (the County Treasurer)** - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*California Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

### General Authorizations

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

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



## EAST SIDE UNION HIGH SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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#### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the county pool and other investment pools and having the pool purchase a combination of shorter term and longer term investments.

Investment Type	Fair Value	Average Maturity in Years
Mutual Funds	\$ 644,383	0.00
Santa Clara County Investment Pool	359,667,007	1.31
Certificate of Deposits	512,853	0.77
Total	<u>\$ 360,824,243</u>	

#### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments are not rated as of June 30, 2018.

#### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to the District. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. As of June 30, 2018, District bank balances of \$178,221, were exposed to custodial credit risk because it was uninsured but collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the pool.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### NOTE 3 - FAIR VALUE MEASUREMENTS

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

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

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

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

Uncategorized - Investments in the Santa Clara County Treasury Investment Pool and/or Local Agency Investment Funds/State Investment Pools are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements are as follows at June 30, 2018:

Investment Type	Fair Value	Fair Value Measurements Using			Uncategorized
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
Mutual Funds	\$ 644,383	\$ 644,383	\$ -	\$ -	\$ -
Santa Clara County Investment Pool	359,667,007	-	-	-	359,667,007
Certificate of Deposits	512,853	512,853	-	-	-
Total	<u>\$ 360,824,243</u>	<u>\$ 1,157,236</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 359,667,007</u>

All assets have been valued using a market approach with quoted market prices.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

### NOTE 4 - RECEIVABLES

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

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds
Federal Government				
Categorical Aid	\$ 1,638,847	\$ -	\$ -	\$ 488,861
State Government				
Categorical Aid	644,046	-	-	240,246
Lottery	965,689	-	-	-
Local Government				
Interest	81,135	805,261	197,126	132,506
Other Local	4,945,806	1,000	-	397,878
Total	<u>\$ 8,275,523</u>	<u>\$ 806,261</u>	<u>\$ 197,126</u>	<u>\$ 1,259,491</u>

	Total Governmental Funds	Enterprise Fund
Federal Government		
Categorical Aid	\$ 2,127,708	\$ 551,647
State Government		
Categorical Aid	884,292	40,494
Lottery	965,689	-
Local Government		
Interest	1,216,028	-
Other Local	5,344,684	18,316
Total	<u>\$ 10,538,401</u>	<u>\$ 610,457</u>

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

### NOTE 5 - CAPITAL ASSETS

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

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 25,442,454	\$ -	\$ -	\$ 25,442,454
Construction in progress	98,988,353	59,592,836	30,414,122	128,167,067
Total Capital Assets Not Being Depreciated	124,430,807	59,592,836	30,414,122	153,609,521
Capital Assets Being Depreciated:				
Buildings and building improvement	694,876,623	29,272,013	304,825	723,843,811
Site improvement	89,714,391	6,003,494	-	95,717,885
Furniture and equipment	26,278,973	15,491,190	856,180	40,913,983
Total Capital Assets Being Depreciated	810,869,987	50,766,697	1,161,005	860,475,679
Total Capital Assets	935,300,794	110,359,533	31,575,127	1,014,085,200
Less Accumulated Depreciation:				
Buildings and building improvement	201,171,795	19,805,140	261,769	220,715,166
Site improvement	24,529,146	3,791,100	-	28,320,246
Furniture and equipment	19,030,643	3,951,932	856,180	22,126,395
Total Accumulated Depreciation	244,731,584	27,548,172	1,117,949	271,161,807
Governmental Activities Capital Assets, Net	\$ 690,569,210	\$ 82,811,361	\$ 30,457,178	\$ 742,923,393

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

<b>Governmental Activities</b>	
Instruction	\$ 18,113,079
Supervision of instruction	1860605
Instructional library and technology	91,880
School site administration	1,813,578
Home-to-school transportation	818,197
All other pupil services	2,999,514
Ancillary services	282,188
Community services	4,811
Data processing services	333,575
All other administration	1,230,745
Total Depreciation Expenses, Governmental Activities	\$ 27,548,172

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

### NOTE 6 - INTERFUND TRANSACTIONS

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

Interfund receivable and payable balances at June 30, 2018, are as follows:

Due From	Due To General Fund
Non-Major Governmental Funds	\$ 966,793
Enterprise Fund	3,351,850
Total	<u>\$ 4,318,643</u>

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

#### Operating Transfers

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

Transfer Out	Transfer In			Total
	Non-Major Governmental Funds	Enterprise Fund	Internal Service Fund	
General Fund	<u>\$ 711,667</u>	<u>\$ 982,427</u>	<u>\$ 100,000</u>	<u>\$ 1,794,094</u>

The General Fund transferred to Child Development Fund for contribution.	\$ 711,667
The General Fund transferred to Cafeteria Fund for contribution.	982,427
The General Fund transferred to Self Insurance Fund for contribution.	100,000
	<u>\$ 1,794,094</u>

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

### NOTE 7 - DEFERRED CHARGE ON REFUNDING

Deferred outflows of resources is a consumption of net position by the District that is applicable to a future reporting period. For governmental activities, the net investment in capital assets amount of \$834,380 includes the effect of deferring the recognition of loss from advance refunding. The \$7,416,588 balance of the deferred charge on refunding at June 30, 2018 will be recognized as an expense and as a decrease in net position over the remaining life of related bonds.

Deferred charge on refunding at June 30, 2018 is as follows:

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Deferred charge on refunding	\$ 10,091,662	\$ -	\$ 2,675,074	\$ 7,416,588

### NOTE 8 - ACCOUNTS PAYABLE

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

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Vendor payables	\$ 4,745,919	\$ 10,732,667	\$ 851,423	\$ 16,330,009
State apportionment	996,376	-	-	996,376
State in-lieu tax	2,916,790	-	-	2,916,790
Salaries and benefits	11,558,532	3,414	136,463	11,698,409
Total	\$ 20,217,617	\$ 10,736,081	\$ 987,886	\$ 31,941,584

  

	Enterprise Fund	Internal Service Fund
Vendor payables	\$ 28,237	\$ 3,490
Total	\$ 28,237	\$ 3,490

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

### NOTE 9 - UNEARNED REVENUE

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

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Federal financial assistance	\$ 128,234	\$ -	\$ 128,234
State categorical aid	5,076,637	3,013,824	8,090,461
Other local	2,043,665	-	2,043,665
Total	<u>\$ 7,248,536</u>	<u>\$ 3,013,824</u>	<u>\$ 10,262,360</u>

### NOTE 10 - LONG-TERM OBLIGATIONS OTHER THAN PENSIONS AND OPEB

#### Summary

Payments on the general obligation bonds (GOB) are made by the Bond Interest and Redemption Fund with local revenues. Payments on the other post-employment benefit revenue bonds (OPEB bonds) are made by the General Fund. Payments on the supplemental retirement plan (SRP) are made by the General Fund. The accrued vacation will be paid by the fund for which the employee worked.

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

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018	Due in One Year
GOB	\$ 876,814,244	\$ 21,983,487	\$ 34,970,711	\$ 863,827,020	\$ 53,973,152
Bond premium	60,174,890	1,751,065	5,119,149	56,806,806	5,119,149
OPEB bonds	29,440,000	-	580,000	28,860,000	655,000
SERP	3,386,500	-	3,386,500	-	-
Capital lease	-	340,500	102,150	238,350	102,150
Accrued vacation	2,374,177	-	116,202	2,257,975	-
Total	<u>\$ 972,189,811</u>	<u>\$ 24,075,052</u>	<u>\$ 44,274,712</u>	<u>\$ 951,990,151</u>	<u>\$ 59,849,451</u>

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

### Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Title	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding June 30, 2017	Accreted/ Issued	Defeased/ Redeemed	Bonds Outstanding June 30, 2018
<b>Current Interest Bonds</b>							
2003 Refunding	2027	2.0%-5.3%	\$ 97,160,000	\$ 58,970,000	\$ -	\$ 3,055,000	\$ 55,915,000
2006 Refunding	2025	4.0%-5.25%	42,665,000	35,400,000	-	2,595,000	32,805,000
2007 Refunding	2020	4.0%-5.0%	11,545,000	3,860,000	-	1,370,000	2,490,000
2008 Series A	2039	4.0%-5.0%	50,000,000	1,160,000	-	1,160,000	-
2002 Series H	2034	5.1%-6.0%	18,000,000	1,000,000	-	475,000	525,000
2008 Series B	2040	3.0%-5.0%	100,000,000	6,610,000	-	2,090,000	4,520,000
2010 Refunding	2028	2.0%-5.0%	46,160,000	34,015,000	-	2,530,000	31,485,000
2008 Series C	2026	4.0%	20,026,088	13,185,968	-	1,295,711	11,890,257
2008 Series D	2043	2.0%-5.0%	100,000,000	98,910,000	-	1,260,000	97,650,000
2008 Series E	2032	3.5%-5.0%	78,970,000	78,970,000	-	-	78,970,000
2011 Refunding	2022	3.8%-4.6%	20,135,000	11,940,000	-	2,495,000	9,445,000
2012 Refunding	2029	2.0%-5.0%	36,735,000	29,745,000	-	1,930,000	27,815,000
2013 Refunding	2030	3.0%-5.0%	88,145,000	86,165,000	-	730,000	85,435,000
2014 Refunding	2036	2.0%-5.0%	41,400,000	37,950,000	-	1,435,000	36,515,000
2012 Series A	2039	2.0%-5.0%	20,000,000	17,535,000	-	485,000	17,050,000
2012 Series B	2036	4.0%-5.0%	100,000,000	98,000,000	-	2,600,000	95,400,000
2014 Series A	2019	5.0%	16,200,000	11,100,000	-	5,410,000	5,690,000
2015 Refunding	2035	3.0%-5.0%	41,420,000	41,350,000	-	-	41,350,000
2016 Refunding A	2033	2.0%-5.0%	16,060,000	15,745,000	-	-	15,745,000
2016 Refunding B	2039	2.0%-5.0%	83,665,000	82,080,000	-	-	82,080,000
2016 Series A	2022	2.0%-4.0%	72,000,000	72,000,000	-	-	72,000,000
2014 Series B	2022	2.0%-4.0%	20,000,000	-	20,000,000	-	20,000,000
Subtotal				835,690,968	20,000,000	30,915,711	824,775,257
<b>Capital Appreciation Bonds</b>							
2002 Series E	2020	4.2%-5.1%	29,999,529	8,375,098	410,352	2,700,000	6,085,450
2002 Series G	2032	4.6%-6.9%	19,997,739	32,748,178	1,573,135	1,355,000	32,966,313
Subtotal				41,123,276	1,983,487	4,055,000	39,051,763
Total General Obligation Bonds				\$ 876,814,244	\$ 21,983,487	\$ 34,970,711	\$ 863,827,020



# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

### Debt Service Requirements to Maturity

The bonds mature through 2043 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2019	\$ 53,973,152	\$ 37,805,477	\$ 91,778,629
2020	56,940,722	36,203,281	93,144,003
2021	54,799,944	32,074,247	86,874,191
2022	62,283,059	29,805,005	92,088,064
2023	42,474,868	27,579,698	70,054,566
2024-28	225,928,921	106,951,151	332,880,072
2029-33	193,536,759	69,049,850	262,586,609
2034-38	107,245,000	19,742,489	126,987,489
2039-43	49,335,000	4,318,970	53,653,970
Subtotal	846,517,425	\$ 363,530,168	\$ 1,210,047,593
Accretion to date	17,309,595		
Total	\$ 863,827,020		

### Other Post-Employment Benefit (OPEB) Revenue Bonds

The District issued the bonds to refinance the District's obligation to pay certain healthcare and retirement benefits for certain retired District employees and to pay the costs of issuance of the bonds. The bonds are not subject to debt limitations of the California Constitution and principal of and interest on the bonds is payable from any source of legally available funds of the District, including amounts on deposit in the General Fund of the District.

The outstanding general obligation bonded debt is as follows:

Maturity Date	Interest Rate	Original Issue	Bonds Outstanding June 30, 2017	Redeemed	Bonds Outstanding June 30, 2018
2036	5.18%-5.32%	\$ 32,050,000	\$ 29,440,000	\$ 580,000	\$ 28,860,000

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### Debt Service Requirements to Maturity

The bonds mature through 2036 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2019	\$ 655,000	\$ 1,532,272	\$ 2,187,272
2020	730,000	1,498,343	2,228,343
2021	815,000	1,460,529	2,275,529
2022	900,000	1,418,312	2,318,312
2023	995,000	1,370,432	2,365,432
2024-28	6,615,000	5,945,898	12,560,898
2029-33	10,030,000	3,844,498	13,874,498
2034-36	8,120,000	884,982	9,004,982
Total	<u>\$ 28,860,000</u>	<u>\$ 17,955,266</u>	<u>\$ 46,815,266</u>

### Supplemental Early Retirement Plan (SERP)

In 2016-17, the District entered into a contract to offer early retirement incentives to some of its employees. The District provides a supplemental early retirement plan in premium annuity contracts with United of Omaha. The District paid off the balance during 2017-18.

### Compensated Absences (Vacation)

The total compensated absences (vacation) for the District at June 30, 2018, amounted to \$2,257,975.

### Capital Leases

The District has entered into agreements to lease various equipment. Such arrangements are, in substance, purchases (capital leases) and are reported as capital lease obligations.

These capital leases mature through 2021 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2019	\$ 102,150	\$ 16,855	\$ 119,005
2020	102,150	16,855	119,005
2021	34,050	4,214	38,264
Total	<u>\$ 238,350</u>	<u>\$ 37,924</u>	<u>\$ 276,274</u>

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

### NOTE 11 - UNRESTRICTED NET POSITION AND FUND BALANCES

Unrestricted net position of governmental activities at June 30, 2018, is composed of the following elements:

	Governmental Activities
General Fund unrestricted fund balance	\$ 38,900,093
Adult Education Fund committed fund balance	102,304
Deferred Maintenance Fund committed fund balance	5,487
Other post-employment benefit revenue bonds	(28,860,000)
Compensated absences	(2,257,975)
Subtotal before GASB Statement No. 68 and 75 implementation	7,889,909
Net deferred outflow of resources from pension activities	60,471,096
Net pension liability	(270,987,814)
Deferred inflow of resources related to OPEB	(4,618,772)
Net OPEB liability	(39,211,778)
Total after GASB Statement No. 68 and 75 implementation	<u>\$ (246,457,359)</u>

Governmental Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>					
Revolving cash	\$ 2,500	\$ -	\$ -	\$ -	\$ 2,500
Stores inventories	183,937	-	-	-	183,937
Prepaid expenditures	-	332,021	-	-	332,021
Total Nonspendable	186,437	332,021	-	-	518,458
<b>Restricted</b>					
Educational programs	4,535,195	-	-	523,481	5,058,676
Capital projects	-	171,034,554	-	26,924,158	197,958,712
Debt services	-	-	79,482,729	-	79,482,729
Total Restricted	4,535,195	171,034,554	79,482,729	27,447,639	282,500,117
<b>Committed</b>					
Adult education program	-	-	-	102,304	102,304
Deferred maintenance	-	-	-	5,487	5,487
Total Committed	-	-	-	107,791	107,791
<b>Unassigned</b>					
Reserve for economic uncertainties	8,305,768	-	-	-	8,305,768
Remaining unassigned	30,407,888	-	-	-	30,407,888
Total Unassigned	38,713,656	-	-	-	38,713,656
<b>Total</b>	<u>\$ 43,435,288</u>	<u>\$ 171,366,575</u>	<u>\$ 79,482,729</u>	<u>\$ 27,555,430</u>	<u>\$ 321,840,022</u>

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### NOTE 12 - RISK MANAGEMENT

#### Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2018, the District contracted with Northern California Regional Liability Excess Fund for property and liability insurance coverage. Settled claims have not exceeded the commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

#### Workers' Compensation

For fiscal year 2018, the District participated in the Santa Clara County Schools Insurance Group, an insurance purchasing pool. The intent of the Santa Clara County Schools Insurance Group is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Santa Clara County Schools Insurance Group. 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 Santa Clara County Schools Insurance Group. Each participant pays its workers' compensation premium based on its individual rate. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Santa Clara County Schools Insurance Group. Participation in the Santa Clara County Schools Insurance Group is limited to districts that can meet the Santa Clara County Schools Insurance Group selection criteria.

#### Claims Liabilities

The District records an estimated liability for its self-insured health benefit programs. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred, but not reported based on historical experience.

#### Unpaid Claims Liabilities

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

	Health Benefits
Liability Balance, July 1, 2016	\$ 1,562,914
Claims and changes in estimates	9,487,361
Claim payments	(9,686,888)
Liability Balance, June 30, 2017	1,363,387
Claims and changes in estimates	9,792,167
Claim payments	(10,069,802)
Liability Balance, June 30, 2018	\$ 1,085,752
Assets available to pay claims at June 30, 2018	\$ 9,961,956

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

### NOTE 13 - NET OTHER POST-EMPLOYMENT BENEFIT (OPEB) LIABILITY

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

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	\$ 38,239,674	\$ -	\$ 4,713,033	\$ 2,989,256
Medicare Premium Payment (MPP) Program	1,736,897	-	-	(100,542)
Total	<u>\$ 39,976,571</u>	<u>\$ -</u>	<u>\$ 4,713,033</u>	<u>\$ 2,888,714</u>

The details of each plan are as follows:

#### District Plan

##### **Plan Administration**

The Self-Insured Schools of California (SISC) administers the East Side Union High School District's Post-employment Benefits Plan (Plan) – a single-employer defined benefit plan that is used to provide other post-employment benefits (OPEB) other than pensions for all permanent full-time employees of the District. Financial information for SISC can be found on the SISC website at <https://www.sisc.kern.org/>.

##### *Plan Membership*

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

	Membership
Inactive employees or beneficiaries currently receiving benefits payments	248
Active employees	1,897
Total Plan Membership	<u>2,145</u>

##### *Benefits Provided*

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

##### *Contributions*

The contribution requirements of plan members and the District are established and may be amended by the District and the East Side Teacher Association (ESTA) and the local California Service Employees Association (CSEA). The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund as determined annually through the agreements between the District, ESTA, and CSEA. For fiscal year 2016-17, the District contributed \$690,995 to the Plan, all of which was used for current premiums.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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### *Actuarial Assumptions*

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

Inflation	3.0%
Salary increases	3.0%, average, including inflation
Investment rate of return	5.0%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	6.5% for 2017

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

Mortality rates were based on the 2010 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reeducation. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

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

The long-term expected rate of return on OPEB plan investments was 5 percent, which is the District's estimate of long-term investment returns on its OPEB portfolio in the SISC trust.

### *Discount Rate*

The discount rate used to measure the total OPEB liability was 3.83 percent. The projection of cash flows used to determine the discount rate assumed that the District will receive reimbursement from the OPEB trust for benefits paid to retired employees until the trust is exhausted. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2033, and the Fidelity General Obligation AA Index was applied to all periods after 2032. The discount rate of 3.83 percent is the single rate of return at which the actuarial present value of all projected benefit payments equals to the present value of projected benefit payments using the two rates.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

### Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance at June 30, 2016	\$ 65,391,683	\$ 24,070,303	\$ 41,321,380
Service cost	2,377,401	-	2,377,401
Interest	2,065,888	-	2,065,888
Changes in assumptions	(4,253,271)	-	(4,253,271)
Contributions-employer	-	690,995	(690,995)
Net investment income	-	2,580,729	(2,580,729)
Benefit payments	(4,429,331)	(4,429,331)	-
Net change in total OPEB liability	(4,239,313)	(1,157,607)	(3,081,706)
Balance at June 30, 2017	\$ 61,152,370	\$ 22,912,696	\$ 38,239,674

Changes of assumptions and other inputs reflect a change in the discount rate from 3.27 percent in 2016 to 3.38 percent in 2017.

#### *Sensitivity of the Net OPEB Liability to Changes in the Discount Rate*

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

Discount Rate	Net OPEB Liability
1% decrease (2.83%)	\$ 46,111,342
Current discount rate (3.83%)	38,239,674
1% increase (4.83%)	31,510,965

#### *Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates*

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

Healthcare Cost Trend Rates	Net OPEB Liability
1% decrease (4.5%-5.5%)	\$ 30,520,601
Current healthcare cost trend rate (5.5%-6.5%)	38,239,674
1% increase (6.5%-7.5%)	47,484,758

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

### OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$2,989,256.

	Deferred Inflows of Resources
Changes of assumptions	\$ 3,278,129
Net difference between projected and actual earnings on OPEB plan investments	1,434,904
Total	<u>\$ 4,713,033</u>

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2019	\$ 666,934
2020	666,934
2021	666,934
2022	308,208
2023	308,208
Thereafter	2,095,815
	<u>\$ 4,713,033</u>

### Medicare Premium Payment (MPP) Program

#### Plan Description

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

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/member-publications>.



# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

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

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### **Benefits Provided**

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

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

### **Contributions**

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

### **OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the OPEB**

At June 30, 2018, the District reported a liability of \$1,736,897 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2016, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.4129 percent, and 0.3926 percent, resulting in a net increase(decrease) in the proportionate share of 0.0203 percent.

For the year ended June 30, 2018, the District recognized OPEB expense of negative \$100,542.

### **Actuarial Methods and Assumptions**

The total OPEB liability for the MPP Program as of June 30, 2016, was determined based on a financial reporting actuarial valuation that used the June 30, 2016 assumptions presented in the table below. The June 30, 2017 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total OPEB liability to June 30, 2017, using the assumptions listed in the following table:

Inflation	3.0%
Salary increases	3.0%, average, including inflation
Investment rate of return	5.0%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	6.5% for 2017

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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For the valuation as of June 30, 2016, CalSTRS used custom mortality tables based on RP2000 Series tables issued by the Society of Actuaries, adjusted to fit CalSTRS specific experience through June 30, 2015. For the valuation as of June 30, 2017, CalSTRS changed the mortality assumptions based on the July 1, 2010 through June 30, 2015, experience study adopted by the board in February 2017. CalSTRS now uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among the members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members' age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 571 or an average of 0.32 percent of the potentially eligible population (177,763).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2017 and 2016, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

### Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2017 and 2016 was 3.58 percent and 2.85 percent, respectively. The MPP Program is funded on a pay-as-you-go basis as described in Note 1, and under the pay-as-you-go method, the OPEB Plan's fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.58 percent and 2.85 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2017 and 2016, respectively, was applied to all periods of projected benefit payments to measure the total OPEB liability.

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

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

Discount Rate	Net OPEB Liability
1% decrease (2.58%)	\$ 1,933,866
Current discount rate (3.58%)	1,736,897
1% increase (4.58%)	1,556,002

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

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

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 1,569,552
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	1,736,897
1% increase (4.7% Part A and 5.1% Part B)	1,902,570

### NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

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

For the fiscal year ended June 30, 2018, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 210,892,070	\$ 74,922,406	\$ 29,983,924	\$ 21,228,418
CalPERS	67,760,813	20,827,581	1,528,568	13,172,654
Total	\$ 278,652,883	\$ 95,749,987	\$ 31,512,492	\$ 34,401,072

The details of each plan are as follows:

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

##### **Plan Description**

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

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

<http://www.calstrs.com/member-publications>.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2 percent of final compensation for each year of credited service.

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

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other programs.

The STRP provisions and benefits in effect at June 30, 2018 are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

### Contributions

For required members, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with Assembly Bill 1469, *State Teachers' Retirement: Defined Benefit Program*, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were \$17,926,108.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of net pension liability	\$ 210,892,070
State's proportionate share of the net pension liability associated with the District	124,761,967
Total net pension liability, including State share	<u>\$ 335,654,037</u>

The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively was 0.22804 percent and 0.22075 percent, resulting in a net increase in the proportionate share of 0.00729 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$21,228,418. In addition, the District recognized pension expense and revenue of \$12,558,490 for support provided by the State. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 17,926,108	\$ -
Net change in proportionate share of net pension liability	17,146,180	20,689,175
Difference between projected and actual earnings on pension plan investments	-	5,616,643
Differences between expected and actual experience in the measurement of the total pension liability on plan investments	779,899	3,678,106
Changes of assumptions	39,070,219	-
Total	<u>\$ 74,922,406</u>	<u>\$ 29,983,924</u>

## EAST SIDE UNION HIGH SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments are amortized over a closed five year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2019	\$ 4,670,042
2020	(3,533,723)
2021	(509,618)
2022	4,989,942
Total	<u>\$ 5,616,643</u>

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

Year Ended June 30,	Deferred Outflow/(Inflows) of Resources
2019	\$ 12,532,169
2020	12,532,169
2021	11,184,921
2022	(940,322)
2023	(3,605,658)
Thereafter	925,738
Total	<u>\$ 32,629,017</u>

#### Actuarial Methods and Assumptions

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

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

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

### Discount Rate

The discount rate used to measure the total pension liability was 7.1 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 (7.1 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.1%)	\$ 309,656,512
Current discount rate (7.1%)	\$ 210,892,070
1% increase (8.1%)	\$ 130,738,033

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

### California Public Employees Retirement System (CalPERS)

#### Plan Description

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

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

#### Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2018, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7%	6%
Required employer contribution rate	15.531%	15.531%



# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were \$5,120,582.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$67,760,813. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively was 0.28384 percent and 0.28983 percent, resulting in a net decrease in the proportionate share of 0.00599 percent.

For the year ended June 30, 2018, the District recognized pension expense of \$13,172,654. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 5,120,582	\$ -
Net change in proportionate share of net pension liability	1,037,814	730,768
Difference between projected and actual earnings on pension plan investments	2,344,061	-
Differences between expected and actual experience in the measurement of the total pension liability	2,427,591	-
Changes of assumptions	9,897,533	797,800
Total	<u>\$ 20,827,581</u>	<u>\$ 1,528,568</u>

## EAST SIDE UNION HIGH SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows of resources related to the difference between projected and actual earnings on pension plan investments are amortized over a closed five year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2019	\$ (63,516)
2020	2,704,538
2021	986,646
2022	(1,283,607)
Total	<u>\$ 2,344,061</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflow/(Inflows) of Resources
2019	\$ 4,694,021
2020	3,944,106
2021	3,196,243
Total	<u>\$ 11,834,370</u>

#### Actuarial Methods and Assumptions

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

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

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2018**

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

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

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	5.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and forestland	3%	5.36%
Cash/liquidity	2%	0.90%
	100%	

### Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	\$ 83,640,588
Current discount rate (7.15%)	\$ 67,760,813
1% increase (8.15%)	\$ 33,092,205

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

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

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### **Public Agency Retirement System (PARS) (Defined Contribution Plan)**

As established by Federal law, all public sector employees who are not members of either CalSTRS or CalPERS must be covered by social security or an alternative plan. The District has elected to use PARS as its alternative plan. Contributions made by the District and employee vest immediately. For employees who are members of PARS, the District and the employee each contribute 6.2 percent of the employee's gross earnings towards social security.

### **On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$12,558,490, \$9,824,898, and \$9,579,462 (9.328, 8.828, and 7.126 percent of annual payroll) for the years ending June 30, 2018, 2017 and 2016, respectively. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on-behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. These amounts have been recorded in the financial statements, but are not included in the budgeted revenues and expenditures of the District. These amounts have been excluded from the computation of the available reserves percentage.

### **NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWERS AUTHORITIES (JPA) AND OTHER RELATED PARTY TRANSACTIONS**

The District is a member of Northern California Regional Liability Excess Fund JPA (Nor Cal ReLiEF), Santa Clara County Schools Insurance Group and Metropolitan Education District. The District pays an annual premium to the North California Regional Liability Excess Fund for its property liability insurance and Santa Clara County Schools Insurance Group for its workers' compensation coverage. In addition, the Metropolitan Education District operates the vocational classes for the District. The relationships among the District, the pools and the JPA's are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities. The District has appointed one board member to the governing board of Metropolitan Education District.

During the year ended June 30, 2018, the District made payments of \$1,484,615 and \$2,896,666 to Northern California Regional Liability Excess Fund and Santa Clara County Schools Insurance Group, respectively. Payments to the Metropolitan Education District were transferred to them directly from the Santa Clara County Office of Education.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### NOTE 16 - COMMITMENTS AND CONTINGENCIES

#### Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2018.

#### Litigation

The District is also involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2018.

#### Construction Commitments

As of June 30, 2018, the District had construction commitments in the amount of \$45,538,433.

### NOTE 17 - RESTATEMENT OF PRIOR YEAR NET POSITION

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

Statement of Net Position	Governmental Activities	Business-Type Activities	Total
Net Position - Beginning, June 30, 2017	\$ (87,686,044)	\$ (2,990,320)	\$ (90,676,364)
Restatement related to net OPEB liability from the adoption of GASB No. 75	(65,647,995)	(826,427)	(66,474,422)
Net Position - Beginning as Restated, June 30, 2017	<u>\$ (153,334,039)</u>	<u>\$ (3,816,747)</u>	<u>\$ (157,150,786)</u>

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***REQUIRED SUPPLEMENTARY INFORMATION***

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# EAST SIDE UNION HIGH SCHOOL DISTRICT

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

	Budgeted Amounts			Favorable (Unfavorable) Variances
	Original	Final	Actual	Final to Actual
<b>REVENUES</b>				
Local control funding formula	\$ 223,839,158	\$ 224,311,556	\$ 224,061,119	\$ (250,437)
Federal sources	10,440,146	10,964,075	10,848,247	(115,828)
Other State sources	19,322,356	25,386,499	26,077,181	690,682
Other local sources	9,369,791	9,142,727	11,188,962	2,046,235
<b>Total Revenues</b>	<u>262,971,451</u>	<u>269,804,857</u>	<u>272,175,509</u>	<u>2,370,652</u>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	124,504,950	122,841,536	123,529,749	(688,213)
Classified salaries	32,563,647	31,378,899	30,789,822	589,077
Employee benefits	69,999,367	71,149,391	71,531,758	(382,367)
Books and supplies	8,837,645	7,748,353	6,843,292	905,061
Services and operating expenditures	30,458,027	30,828,025	30,785,935	42,090
Other outgo	8,156,164	1,181,337	8,766,738	(7,585,401)
Capital outlay	983,597	10,283,142	896,749	9,386,393
Debt service - principal	682,150	580,000	682,150	(102,150)
Debt service - interest	1,579,171	1,562,316	1,579,171	(16,855)
<b>Total Expenditures</b>	<u>277,764,718</u>	<u>277,552,999</u>	<u>275,405,364</u>	<u>2,147,635</u>
<b>Excess of Expenditures Over Revenues</b>	<u>(14,793,267)</u>	<u>(7,748,142)</u>	<u>(3,229,855)</u>	<u>4,518,287</u>
<b>Other Financing Uses</b>				
Transfers in	-	60,000	159,036	99,036
Other sources	-	-	340,500	340,500
Transfers out	(1,019,626)	9,933,478	(1,794,094)	(11,727,572)
<b>Net Financing Uses</b>	<u>(1,019,626)</u>	<u>9,993,478</u>	<u>(1,294,558)</u>	<u>(11,288,036)</u>
<b>NET DECREASE IN FUND BALANCE</b>	<u>(15,812,893)</u>	<u>2,245,336</u>	<u>(4,524,413)</u>	<u>(6,769,749)</u>
<b>Fund Balance - Beginning</b>	<u>39,653,933</u>	<u>39,653,933</u>	<u>39,653,933</u>	<u>-</u>
<b>Fund Balance - Ending</b>	<u>\$ 23,841,040</u>	<u>\$ 41,899,269</u>	<u>35,129,520</u>	<u>\$ (6,769,749)</u>
<b>Special Reserve - Other Than Capital Outlay Projects</b>			<u>8,305,768</u>	
<b>Fund Balance - Ending - GAAP</b>			<u>\$ 43,435,288</u>	

See accompanying note to required supplementary information.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

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

Measurement Date, as of June 30,	2018
Total OPEB Liability	
Service cost	\$ 2,377,401
Interest	2,065,888
Changes of assumptions	(4,253,271)
Benefit payments	(4,429,331)
Net change in total OPEB liability	(4,239,313)
Total OPEB liability - beginning	65,391,683
Total OPEB liability - ending (a)	\$ 61,152,370
Plan fiduciary net position	
Employers contribution	\$ 690,995
Net investment income	2,580,729
Benefit payments	(4,429,331)
Net change in total OPEB liability	(1,157,607)
Total OPEB liability - beginning	24,070,303
Total OPEB liability - ending (b)	\$ 22,912,696
Net OPEB liability - ending (a) - (b)	\$ 38,239,674
Plan fiduciary net position as a percentage of the total OPEB liability	37.47%
Covered-employee payroll	\$ 164,083,302
District's net OPEB liability as a percentage of covered-employee payroll	23.31%

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

See accompanying note to required supplementary information.



## EAST SIDE UNION HIGH SCHOOL DISTRICT

### SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY – MPP PROGRAM FOR THE YEAR ENDED JUNE 30, 2018

Year ended June 30,	2018
District's proportion of the net OPEB liability	0.4129%
District's proportionate share of the net OPEB liability	\$ 1,736,897
District's covered-employee payroll	N/A <sup>1</sup>
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A <sup>1</sup>
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%

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

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

See accompanying note to required supplementary information.

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# EAST SIDE UNION HIGH SCHOOL DISTRICT

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

MEASUREMENT DATE	June 30, 2017	June 30, 2016
<b>CalSTRS</b>		
District's proportion of the net pension liability	0.22804%	0.22075%
District's proportionate share of the net pension liability	\$ 210,892,070	\$ 178,546,485
State's proportionate share of the net pension liability associated with the District	124,761,967	101,643,329
Total	\$ 335,654,037	\$ 280,189,814
District's covered - payroll	\$ 122,579,597	\$ 119,337,685
District's proportionate share of the net pension liability as a percentage of its covered - payroll	172.05%	149.61%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%
<b>CalPERS</b>		
District's proportion of the net pension liability	0.28384%	0.28983%
District's proportionate share of the net pension liability	\$ 67,760,813	\$ 57,240,552
District's covered - payroll	\$ 34,903,036	\$ 33,120,771
District's proportionate share of the net pension liability as a percentage of its covered - payroll	194.14%	172.82%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%

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

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<u>June 30, 2015</u>	<u>June 30, 2014</u>
<u>0.25993%</u>	<u>0.23020%</u>
\$ 174,993,327	\$ 134,521,149
<u>92,552,179</u>	<u>81,229,677</u>
<u>\$ 267,545,506</u>	<u>\$ 215,750,826</u>
<u>\$ 111,165,728</u>	<u>\$ 102,842,026</u>
<u>157.42%</u>	<u>130.80%</u>
<u>74%</u>	<u>77%</u>
<u>0.28613%</u>	<u>0.26448%</u>
\$ 42,175,303	\$ 30,024,754
\$ 29,702,119	\$ 27,540,541
<u>141.99%</u>	<u>109.02%</u>
<u>79%</u>	<u>83%</u>

# EAST SIDE UNION HIGH SCHOOL DISTRICT

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

FISCAL YEAR ENDED	June 30, 2018	June 30, 2017
<b>CalSTRS</b>		
Contractually required contribution	\$ 17,926,108	\$ 15,418,734
Contributions in relation to the contractually required contribution	(17,926,108)	(15,418,734)
Contribution deficiency (excess)	\$ -	\$ -
District's covered - payroll	\$ 121,736,601	\$ 122,579,597
Contributions as a percentage of covered - payroll	14.73%	12.58%
<b>CalPERS</b>		
Contractually required contribution	\$ 5,120,582	\$ 5,177,134
Contributions in relation to the contractually required contribution	(5,120,582)	(5,177,134)
Contribution deficiency (excess)	\$ -	\$ -
District's covered - payroll	\$ 35,436,556	\$ 34,903,036
Contributions as a percentage of covered - payroll	14.45%	14.83%

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

See accompanying note to required supplementary information.

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<u>June 30, 2016</u>	<u>June 30, 2015</u>
\$ 12,804,206	\$ 9,869,073
<u>(12,804,206)</u>	<u>(9,869,073)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 119,337,685	\$ 111,165,728
<u>10.73%</u>	<u>8.88%</u>
\$ 3,814,940	\$ 3,496,235
<u>(3,814,940)</u>	<u>(3,496,235)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 33,120,771	\$ 29,702,119
<u>11.52%</u>	<u>11.77%</u>

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2018

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### NOTE 1 - PURPOSE OF SCHEDULES

#### **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 State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The Governing Board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

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

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

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

#### **Schedule of Changes in the District's Net OPEB Liability and Related Ratios**

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

***Change in Benefit Terms*** – No change from 2016 to 2017.

***Change in Assumptions*** – Changes of assumptions and other inputs reflect a change in the discount rate from 3.27 percent in 2016 to 3.38 percent in 2017.

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

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

***Changes in Benefit Terms*** – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

***Changes in Assumptions*** – The CalSTRS plan rate of investment return assumption was changed from 7.6 percent to 7.1 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

#### **Schedule of District's Pension Contributions**

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

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***SUPPLEMENTARY INFORMATION***

# EAST SIDE UNION HIGH SCHOOL DISTRICT

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

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Direct Grants:			
Promoting Readiness of Minors in Supplemental Security	84.418P	<sup>1</sup>	\$ 217,699
Passed-Through California Department of Education (CDE):			
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329	4,083,586
Title I, Part C, Migrant Education-Regular Program			143,641
Title II, Part A, Teacher Quality	84.367	14341	690,790
Title III, Limited English Proficiency	84.365	14346	297,907
Title III, Immigrant Education Program	84.365	15146	102,235
Total English Language Acquisition State Grants			400,142
Individuals with Disabilities Act:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	3,449,719
Private Schools, Part B, Section 611	84.027	10115	6,184
Mental Health Allocation Plan, Part B, Section 611	84.027A	14468	131,138
Total Special Education Cluster			3,587,041
Carl Perkins Act:			
Secondary, Section 131	84.048	14894	498,380
Adult, Section 132	84.048	14893	22,396
Total Carl Perkins Grant			520,776
Adult Education Act:			
Adult Secondary Education	84.002	13978	160,353
Adult Education: English Literacy and Civics Education	84.002A	14109	(607)
Adult Basic Education and English as Second Language	84.002A	14508	577,959
Total Adult Education Cluster			737,705
Total Passed-Through CDE			10,163,681
Total U.S. Department of Education			10,381,380

See accompanying note to supplementary information.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued) FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed-Through California Department of Education:			
Child Development Act:			
Head Start	93.600	10016	239,128
Medi-Cal Billing Option	93.778	10013	233,426
Federal Child Care, Center-Based	93.575	15136	407,023
Total U.S. Department of Health and Human Services			879,577
U.S. DEPARTMENT OF AGRICULTURE			
Passed-Through California Department of Education:			
Child Nutrition Act:			
Needy Breakfast	10.553	13390	1,161,669
National School Lunch	10.555	13523	2,685,661
Meal Supplement	10.556	13568	18,834
Commodity Supplemental Food Program <sup>2</sup>	10.555	13534	287,559
Total Child Nutrition Cluster			4,153,723
Child and Adult Care Food Program	10.558	13393	492,617
Total U.S. Department of Agriculture			4,646,340
U.S. DEPARTMENT OF REHABILITATION			
Passed-Through California Department of Education:			
Workability II, Transition Partnership	84.126	10006	371,564
U.S. DEPARTMENT OF DEFENSE			
Direct Grants:			
Junior Reserve Officer Training Corp (JROTC)	12.357	<sup>1</sup>	559,005
Total Expenditures of Federal Awards			\$16,837,866

<sup>1</sup> These grants are direct grants. Pass-Through entity identifying numbers are not available.

<sup>2</sup> Not recorded in the financial statements.

See accompanying note to supplementary information.

## EAST SIDE UNION HIGH SCHOOL DISTRICT

### LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2018

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#### ORGANIZATION

The East Side Union High School District was organized in 1949 under the laws of the State of California. The District operates under a locally-elected five-member Governing Board form of government and provides educational services to grades 9-12 as mandated by the State and/or Federal agencies. The District operates 11 high schools, 3 adult education sites, 1 independent study program, 4 continuation schools, 7 child care centers and 1 alternative school.

#### BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM E XPIRES</u>
J. Manual Herrera	President	2018
Pattie Cortese	Vice President	2020
Lan Nguyen	Clerk	2020
Frank Biehl	Member	2018
Van T. Le	Member	2018

#### ADMINISTRATION

Chris D. Funk	Superintendent
Chris Jew	Associate Superintendent of Business Services
Glenn Vander Zee	Associate Superintendent of Educational Services
John Rubio	Associate Superintendent of Human Resources

See accompanying note to supplementary information.

## EAST SIDE UNION HIGH SCHOOL DISTRICT

### SCHEDULE OF AVERAGE DAILY ATTENDANCE (ADA) FOR THE YEAR ENDED JUNE 30, 2018

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	Final Report	
	Second Period Report	Annual Report
9th Through 12th		
Regular ADA	21,984.17	21,875.82
Extended Year Special Education	39.63	39.63
Special Education, Nonpublic, Nonsectarian Schools	50.37	55.11
Extended Year Special Education, Nonpublic, Nonsectarian Schools	6.78	6.78
Total ADA	<u>22,080.95</u>	<u>21,977.34</u>

See accompanying note to supplementary information.

## EAST SIDE UNION HIGH SCHOOL DISTRICT

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

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Grade Level	1986-87	2017-18	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Grade 9	64,800	64,875	180	N/A	Complied
Grade 10	64,800	64,875	180	N/A	Complied
Grade 11	64,800	64,875	180	N/A	Complied
Grade 12	64,800	64,875	180	N/A	Complied

See accompanying note to supplementary information.

## EAST SIDE UNION HIGH SCHOOL DISTRICT

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

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Summarized below are the fund balance reconciliations between the Unaudited Annual Financial and Budget Report and the Audited Financial Statements.

	General Fund	Special Reserve Other Fund	Internal Service Fund
FUND BALANCE			
Balance, June 30, 2018, Unaudited Actuals	\$ 35,129,520	\$ 8,305,768	\$ 9,961,956
As required by GASB Statement No. 54, the District consolidated Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects into General Fund	8,305,768	(8,305,768)	-
Increase in claim liability	-	-	(1,085,752)
Balance, June 30, 2018, Audited Financial Statements	<u>\$ 43,435,288</u>	<u>\$ -</u>	<u>\$ 8,876,204</u>

See accompanying note to supplementary information.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

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

	Budgeted 2019 <sup>1</sup>	Actual 2018	Actual 2017	Actual 2016
GENERAL FUND <sup>3</sup>				
Revenues	\$ 284,970,357	\$ 272,175,509	\$ 258,766,902	\$ 257,564,408
Other sources and transfers in	499,536	499,536	9,824,898	9,579,462
Total Revenues and Other Sources	285,469,893	272,675,045	268,591,800	267,143,870
Expenditures	290,982,869	275,405,364	271,558,804	256,881,351
Other uses and transfers out	1,803,708	1,794,094	1,486,395	447,672
Total Expenditures and Other Uses	292,786,577	277,199,458	273,045,199	257,329,023
Changes in Fund Balance	\$ (7,316,684)	\$ (4,524,413)	\$ (4,453,399)	\$ 9,814,847
Ending Fund Balance	\$ 27,812,836	\$ 35,129,520	\$ 39,653,933	\$ 44,107,332
Available Reserves <sup>2</sup>	\$ 31,396,972	\$ 38,713,656	\$ 43,074,701	\$ 48,220,981
Available Reserves as a percentage of total Outgo	11%	13.97%	15.78%	18.74%
Long-Term Obligations	\$ 1,210,770,154	\$ 1,270,619,605	\$ 1,207,976,848	\$ 1,057,520,591
Average Daily Attendance At P-2	21,527	22,081	22,055	22,072

The General Fund balance has decreased by \$8,977,812 over the past two years. The fiscal year 2018-19 budget projects a decrease of \$7,316,684. For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo). The District has adopted a policy to reserve at least three percent.

The District has incurred operating surpluses in two of the past three years, but anticipates operating deficit during the 2018-19 fiscal year. Total long-term obligations have increased by \$213,099,014 over the past two years. The increase in long-term obligations is mainly due to the \$20 million, and \$153.1 million new general obligation bond issuance during 2017-18, and 2016-17.

Average daily attendance has increased by 9 over the past two years. A decrease of 554 ADA is anticipated during fiscal year 2018-19.

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

<sup>2</sup> Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

<sup>3</sup> General Fund amounts do not include activity related to the consolidation of the Special Reserve Fund for Other Than Capital Outlay Projects.

See accompanying note to supplementary information.



## EAST SIDE UNION HIGH SCHOOL DISTRICT

### SCHEDULE OF CHARTER SCHOOLS FOR THE YEAR ENDED JUNE 30, 2018

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Name of Charter School	Included in Audit Report
ACE Charter High School	No
Alpha Cindy Avitia High School	No
B. Roberto Cruz Leadership Academy	No
Escuela Popular Accelerated Family Learning	No
Escuela Popular/Center for Training and Careers Family Learning	No
KIPP San Jose Collegiate	No
Latino College Preparatory Academy	No
Luis Valdez Leadership Academy	No
San Jose Conservation Corps Charter	No
Summit Rainier	No

See accompanying note to supplementary information.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

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

	Adult Education Fund	Child Development Fund
<b>ASSETS</b>		
Deposits and investments	\$ 633,033	\$ 517,686
Receivables	465,267	440,896
<b>Total Assets</b>	<b>\$ 1,098,300</b>	<b>\$ 958,582</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 222,515	\$ 48,527
Due to other funds	250,000	716,793
Unearned revenue	-	193,262
<b>Total Liabilities</b>	<b>472,515</b>	<b>958,582</b>
<b>Deferred Inflow of Resources:</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>		
Restricted	523,481	-
Committed	102,304	-
<b>Total Fund Balances</b>	<b>625,785</b>	<b>-</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,098,300</b>	<b>\$ 958,582</b>

See accompanying note to supplementary information.

<b>Deferred Maintenance Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Special Reserve Fund for Capital Outlay Projects</b>	<b>Total Non-Major Governmental Funds</b>
\$ 40,414	\$ 9,735,139	\$ 17,592,032	\$ 2,806,231	\$ 31,324,535
171	262,983	71,652	18,522	1,259,491
<u>\$ 40,585</u>	<u>\$ 9,998,122</u>	<u>\$ 17,663,684</u>	<u>\$ 2,824,753</u>	<u>\$ 32,584,026</u>
\$ 35,098	\$ 249,384	\$ 429,776	\$ 2,586	\$ 987,886
-	-	-	-	966,793
-	-	-	2,820,562	3,013,824
<u>35,098</u>	<u>249,384</u>	<u>429,776</u>	<u>2,823,148</u>	<u>4,968,503</u>
-	60,093	-	-	60,093
-	9,688,645	17,233,908	1,605	27,447,639
<u>5,487</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,791</u>
<u>5,487</u>	<u>9,688,645</u>	<u>17,233,908</u>	<u>1,605</u>	<u>27,555,430</u>
<u>\$ 40,585</u>	<u>\$ 9,998,122</u>	<u>\$ 17,663,684</u>	<u>\$ 2,824,753</u>	<u>\$ 32,584,026</u>

# EAST SIDE UNION HIGH SCHOOL DISTRICT

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

	Adult Education Fund	Child Development Fund
<b>REVENUES</b>		
Federal sources	\$ 737,705	\$ 646,150
Other State sources	6,798,559	1,285,131
Other local sources	127,347	352,498
<b>Total Revenues</b>	<b>7,663,611</b>	<b>2,283,779</b>
<b>EXPENDITURES</b>		
Current		
Instruction	3,857,602	2,650,318
Instruction-related activities:		
Supervision of instruction	609,956	28,068
Instructional library and technology	43,572	-
School site administration	2,330,717	230,078
Pupil services:		
All other pupil services	172,554	38,738
Administration:		
All other administration	271,221	-
Maintenance and operations	455,116	48,244
Facility acquisition and construction	404,753	-
<b>Total Expenditures</b>	<b>8,145,491</b>	<b>2,995,446</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(481,880)</b>	<b>(711,667)</b>
<b>Other Financing Sources</b>		
Transfers in	-	711,667
<b>Net Financing Sources</b>	<b>-</b>	<b>711,667</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(481,880)</b>	<b>-</b>
<b>Fund Balance - Beginning</b>	<b>1,107,665</b>	<b>-</b>
<b>Fund Balance - Ending</b>	<b>\$ 625,785</b>	<b>\$ -</b>

See accompanying note to supplementary information.

<b>Deferred Maintenance Fund</b>	<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Special Reserve Fund for Capital Outlay Projects</b>	<b>Total Non-Major Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ 1,383,855
-	-	4,219,003	4,539,533	16,842,226
579	2,126,050	234,784	18	2,841,276
579	2,126,050	4,453,787	4,539,551	21,067,357
-	-	-	-	6,507,920
-	-	-	-	638,024
-	-	-	-	43,572
-	-	-	-	2,560,795
-	-	-	-	211,292
-	-	-	-	271,221
35,098	64,873	-	-	603,331
-	382,221	806,657	4,539,534	6,133,165
35,098	447,094	806,657	4,539,534	16,969,320
(34,519)	1,678,956	3,647,130	17	4,098,037
-	-	-	-	711,667
-	-	-	-	711,667
(34,519)	1,678,956	3,647,130	17	4,809,704
40,006	8,009,689	13,586,778	1,588	22,745,726
\$ 5,487	\$ 9,688,645	\$ 17,233,908	\$ 1,605	\$ 27,555,430

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018

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### NOTE 1 - PURPOSE OF SCHEDULES

#### Schedule of Expenditures of Federal Awards (SEFA)

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

The following schedule presents a reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Change in Fund Balances, and the expenditures reported on the Schedule of Expenditures of Federal Awards. CFDA represents Catalog of Federal Domestic Assistance.

Description	CFDA Number	Amount
Total Federal resources reported on Governmental Funds Statement		\$ 12,232,102
Total Federal resources reported on Business-type Activities		4,358,781
Federal subsidy for advance placement testing fees not reported on the SEFA	not available	(40,576)
Commodities not recorded on the financial statements	10.555	287,559
Total Schedule of Expenditures of Federal Awards		<u>\$ 16,837,866</u>

#### Local Education Agency Organization Structure

This schedule provides information of number of schools the District operated, the District's members of the Governing Board, and members of the administration.

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

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

#### Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. Although the District neither met nor exceeded its target incentive funding, it was in compliance with laws. The schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *California Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirement, as required by *California Education Code* Section 46201.

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2018**

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### **Reconciliation of Annual Financial and Budget Report with Audited Financial Statements**

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Annual Financial and Budget Report to the Audited Financial Statements.

### **Schedule of Financial Trends and Analysis**

This schedule discloses the District's financial trends by displaying three 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.

### **Schedule of Charter Schools**

This schedule lists 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.

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

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

***INDEPENDENT AUDITOR'S REPORTS***





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

Governing Board  
East Side Union High School District  
San Jose, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of East Side Union High School District (District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated                     , 2018.

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

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

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered East Side Union High 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of East Side Union High School District's internal control. Accordingly, we do not express an opinion on the effectiveness of East Side Union High 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

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

## **Purpose of This Report**

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

Palo Alto, California  
[REDACTED], 2018



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

Governing Board  
East Side Union High School District  
San Jose, California

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

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

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

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

## Report on Internal Control Over Compliance

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

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

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

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

Palo Alto, California  
\_\_\_\_\_, 2018



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

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## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board  
East Side Union High School District  
San Jose, California

### **Report on State Compliance**

We have audited East Side Union High School District's compliance with the types of compliance requirements as identified in the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the East Side Union High School District's State government programs as noted below for the year ended June 30, 2018.

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

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

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

Our responsibility is to express an opinion on compliance of each of the East Side Union High School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-18 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about East Side Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of East Side Union High School District's compliance with those requirements.

### ***Unmodified Opinion***

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

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

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

The District did not offer a Kindergarten Continuance Program during the current year; therefore, we did not perform any related procedures.

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

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

The District does not have a public school that has a K-3 Grade Span; therefore, we did not perform any related procedures.

The District does not offer an After/Before School Education and Safety Program; therefore, we did not perform any related procedures.

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

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

The District does not have any dependent Charter Schools; therefore, we did not perform any related procedures.

Palo Alto, California  
\_\_\_\_\_, 2018

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

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# EAST SIDE UNION HIGH SCHOOL DISTRICT

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

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### FINANCIAL STATEMENTS

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

### FEDERAL AWARDS

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I, Part A, Basic Grants Low-Income and Neglected</u>
<u>10.553, 10.555, 10.556</u>	<u>Child Nutrition Cluster</u>

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

### STATE AWARDS

Type of auditor's report issued on compliance for all applicable programs:	<u>Unmodified</u>
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**EAST SIDE UNION HIGH SCHOOL DISTRICT**

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

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None reported.

DRAFT

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

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

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None reported.

DRAFT

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

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

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None reported.

DRAFT

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

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

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

DRAFT

**Item 7B**

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

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**2002 MEASURE G FUND  
ANNUAL FINANCIAL REPORT**

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**FOR THE YEAR ENDED JUNE 30, 2018**

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# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2002 MEASURE G FUND TABLE OF CONTENTS JUNE 30, 2018**

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### ***INDEPENDENT AUDITOR'S REPORT***

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	11
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### ***SCHEDULE OF FINDINGS***

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Certified Public Accountants

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## **INDEPENDENT AUDITOR'S REPORT**

Governing Board and  
Citizens' Bond Oversight Committee  
East Side Union High School District  
San Jose, California

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

We have audited the accompanying financial statements of the East Side Union High School District's (the District), 2002 Measure G Fund (the Fund), as of and for the year ended June 30, 2018, and the related notes to the financial statements, as listed in the table of contents.

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

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

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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

### ***Opinion***

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the 2002 Measure G Fund of the East Side Union High School District as of June 30, 2018, 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.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the financial activities of the 2002 Measure G Fund, as of June 30, 2018, and are not intended to present fairly the financial position and the results of operations of East Side Union High School District in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated \_\_\_\_\_, 2018, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered with the results of our audit.

Palo Alto, California  
\_\_\_\_\_, 2018

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2002 MEASURE G FUND BALANCE SHEET JUNE 30, 2018**

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### **ASSETS**

Deposits and investments	\$ 9,493,094
Interest receivable	<u>43,041</u>
Total Assets	<u><u>\$ 9,536,135</u></u>

### **LIABILITIES AND FUND BALANCES**

#### **LIABILITIES**

Vendor payable	\$ 178,702
----------------	------------

#### **FUND BALANCE**

Restricted for capital projects	<u>9,357,433</u>
Total Liabilities and Fund Balance	<u><u>\$ 9,536,135</u></u>

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

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2002 MEASURE G FUND**

### **STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2018**

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#### **REVENUES**

Investment income	\$ 155,161
Total Revenues	<u>\$ 155,161</u>

#### **EXPENDITURES**

Current Expenditures	
Classified salaries	129,392
Employees benefits	64,615
Supplies	32,250
Services and other operating expenses	224,528
Capital Outlay	<u>1,587,747</u>
Total Expenditures	<u>2,038,532</u>

#### **NET CHANGE IN FUND BALANCE**

(1,883,371)

#### **FUND BALANCE - BEGINNING**

11,240,804

#### **FUND BALANCE - ENDING**

\$ 9,357,433

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

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2002 MEASURE G FUND NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018**

---

### ***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The accounting policies of the 2002 Measure G Fund (the Fund) of the East Side Union High School District (the District) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

#### **Financial Reporting Entity**

The financial statements include the financial activity of the Fund only. The Fund was established to account for the expenditures of general obligation bonds issued under the Measure G Election of 2002 (the Measure). These financial statements are not intended to present the financial position and results of operations of the District as a whole, in conformity with accounting principles generally accepted in the United States of America. The authorized issuance amount of the bonds is \$298,000,000. Schedule below summarizes the bond issuance dates and amounts:

<u>Issued Date</u>	<u>Series</u>	<u>Issued Amount</u>
07/09/02	Series A	\$ 30,000,000
04/03/03	Series B	30,000,000
07/28/04	Series C	50,000,000
06/02/05	Series D	70,000,000
06/16/05	Series E	29,999,530
07/11/06	Series F	50,000,000
08/15/07	Series G	19,997,739
12/04/08	Series H	18,000,000
	Total	<u>\$ 297,997,269</u>

#### **Fund Accounting**

The operations of the Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the Fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

#### **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The financial statements of the Fund are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Using this measurement focus, only current assets and current liabilities are included in the balance sheet. Long-term debt is not included as a liability of the Fund, but is disclosed separately in the notes to financial statements. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred.

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2002 MEASURE G FUND NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018**

---

### ***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED***

#### **Fund Balance - Governmental Funds**

As of June 30, 2018, fund balance of the Fund is classified as restricted for capital projects.

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

### ***NOTE 2 - INVESTMENTS***

#### **Investment in County Treasury**

The District, alongside with the Fund, is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statement at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

The District has deposit all the Fund's investment in the Santa Clara County Treasury. As of June 30, 2018, the investment has book value of \$29,307,319. The fair values of the investment is approximately book value.

#### **Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Fund manages its exposure to interest rate risk by depositing substantially all of its cash in the County Pool. The weighted average maturity of the Pool is 479 days, as reported by the Santa Clara County Treasurer.

#### **Fair Value Measurements**

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

Investment in the county treasury investment pool is not measured using the input levels above because the participant's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share. Accordingly, the Fund's investment in the Santa Clara County Pool is uncategorized.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## 2002 MEASURE G FUND NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

### NOTE 3 - GENERAL LONG-TERM DEBT

The 2002 Measure G general obligation bonds are outstanding as follows:

Issue Title	Maturity Date	Interest Rate	Original Issue	Bonds		Accreted/ Issued	Defeased/ Redeemed	Bonds	
				Outstanding	July 1, 2017			Outstanding	June 30, 2018
2002 E	2020	4.2%-5.1%	\$ 29,999,529	\$ 8,375,098	\$ 410,352	\$ 2,700,000	\$ 6,085,450		
2002 G	2032	4.6%-6.9%	19,997,739	32,748,178	1,573,135	1,355,000	32,966,313		
2002 H	2034	5.1%-6.0%	18,000,000	1,000,000	-	475,000	525,000		
2003 Ref	2027	2.0%-5.3%	97,160,000	58,970,000	-	3,055,000	55,915,000		
2010 Ref	2028	2.0%-5.0%	46,160,000	34,015,000	-	2,530,000	31,485,000		
2012 Ref	2029	2.0%-5.0%	36,735,000	29,745,000	-	1,930,000	27,815,000		
2013 Ref	2030	3.0%-5.0%	88,145,000	86,165,000	-	730,000	85,435,000		
2014 Ref	2036	2.0%-5.0%	41,400,000	37,950,000	-	1,435,000	36,515,000		
2016 Ref	2034	2.0%-5.0%	16,060,000	15,745,000	-	-	15,745,000		
Total				\$ 304,713,276	\$ 1,983,487	\$ 14,210,000	\$ 292,486,763		

2003 Refunding bonds were issued on August 1, 2003 to refund all remaining 1991 election outstanding bonds, 1999 election 2002 Series outstanding bonds and 2002 election Series A bonds. 2010 Refunding bonds were issued on October 12, 2010 to refund all 1999 election outstanding bonds and 2002 election Series B. 2012 Refunding bonds were issued on July 10, 2012 to refund all outstanding 2002 election Series C bonds. 2013 Refunding bonds were issued on July 25, 2013 to refund all outstanding 2002 election Series D bonds and partial Series E. 2014 Refunding bonds were issued on June 19, 2014 to refund partial 2002 election Series F. 2016 Refunding bonds were issued on May 11, 2016 to refund partial 2002 election Series H.

The debt service requirements of 2002 Measure G bond programs are outstanding as follows:

Fiscal Year	Principal	Interest to	
		Maturity	Total
2019	\$ 12,548,912	\$ 13,938,010	\$ 26,486,922
2020	12,671,413	13,705,785	26,377,198
2021	15,338,962	11,208,866	26,547,828
2022	21,753,738	10,664,370	32,418,108
2023	23,690,474	9,756,876	33,447,350
2024 - 2028	118,021,910	33,859,665	151,881,575
2029 - 2033	61,876,759	24,152,182	86,028,941
2034 - 2036	9,275,000	481,488	9,756,488
Sub Total	275,177,168	\$ 117,767,242	\$ 392,944,410
Accreted Interest	17,309,595		
Total	\$ 292,486,763		



# EAST SIDE UNION HIGH SCHOOL DISTRICT

## 2002 MEASURE G FUND

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

#### NOTE 3 - GENERAL LONG-TERM DEBT, CONTINUED

##### Debt Service Requirements

The general obligation bonds mature through the 2036 fiscal year. Repayment of the bonds will be funded by a separate property tax override levied on property residing within the District boundaries. Property tax revenues will be collected and disbursed out of a separate Bond Interest and Redemption Fund accounted for by the Santa Clara County Controller's Office. This fund is not included as part of these financial statements. General school district revenues will not be required to fund the debt service on the bonds.

#### NOTE 4 - COMMITMENTS AND CONTINGENCIES

##### Construction Commitments

As of June 30, 2018, the District had construction commitments which are partially funded by the 2002 Measure G Fund as follows:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
District Program Cost	\$ 48,233	6/30/2019
Santa Teresa - Mechanical and Electrical Upgrades	4,509	6/30/2019
Santa Teresa - Interior Flooring	13,669	6/30/2019
Independence - Roofing	3,405	6/30/2019
Independence - Mechanical and Electrical Upgrades	210,722	6/30/2019
Program Management Services Cost	3	2/28/2019
Independence - Building B Commons Modernization	9,350	6/30/2019
Independence - Interior Flooring	2,560	6/30/2019
Foothill - Hooper Hall Modernization	20,396	6/30/2019
Foothill - Mechanical and Electrical Upgrades	25,116	6/30/2019
Andrew Hill - Mechanical and Electrical Upgrades	239,450	6/30/2019
Andrew Hill - Door Replacement	10,550	6/30/2019
James Lick - Interior Flooring	10,597	6/30/2019
James Lick - Mechanical and Electrical Upgrades	41,500	6/30/2019
James Lick - Door Replacement	3,517	6/30/2019
James Lick - Student Center and Quad Modernization	40,116	6/30/2019
Mount Pleasant - Door Replacement	1,005	6/30/2019
W.C. Overfelt - Interior Flooring	22,579	6/30/2019
W.C. Overfelt- Mechanical and Electrical Upgrades	4,592	6/30/2019
W.C. Overfelt - Door Replacement	13,062	6/30/2019
Piedmont Hills - Mechanical and Electrical Upgrades	35,972	6/30/2019
Piedmont Hills - Door Replacement	10,550	6/30/2019
Oak Grove - Mechanical and Electrical Upgrades	4,509	6/30/2019
District Wide - Roofing	8,271	6/30/2019
Silver Creek - Mechanical and Electrical Upgrades	15,349	6/30/2019
Silver Creek - Door Replacement	11,555	6/30/2019
Yerba Buena - New Student Union and Quad Modernization	7,800	6/30/2019
	<u>\$ 818,937</u>	

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2002 MEASURE G FUND**

### **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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#### ***NOTE 4 - COMMITMENTS AND CONTINGENCIES, CONTINUED***

##### **Litigation**

The Fund is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Fund as of June 30, 2018.

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***INDEPENDENT AUDITOR'S REPORT***

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

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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***

Governing Board and  
Citizens' Bond Oversight Committee  
East Side Union High School District  
San Jose, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the East Side Union High School District's (the District) 2002 Measure G Fund (the Fund), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated \_\_\_\_\_, 2018.

**Internal Control over Financial Reporting**

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

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Palo Alto, California  
\_\_\_\_\_, 2018

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***SCHEDULE OF FINDINGS***

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**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**2002 MEASURE G FUND  
FINANCIAL STATEMENT FINDINGS  
JUNE 30, 2018**

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None reported.

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**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**2002 MEASURE G FUND**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**JUNE 30, 2018**

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None reported.

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**EAST SIDE UNION HIGH SCHOOL DISTRICT**

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**2002 MEASURE G FUND  
PERFORMANCE AUDIT**

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**FOR THE YEAR ENDED JUNE 30, 2018**

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# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2002 MEASURE G FUND TABLE OF CONTENTS JUNE 30, 2018**

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## INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

Governing Board and  
Citizens' Bond Oversight Committee  
East Side Union High School District  
San Jose, California

We were engaged to conduct a performance audit of the East Side Union High School District (the District), 2002 Measure G Fund (the Fund) for the year ended June 30, 2018.

We conducted this performance audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report, which includes determining the Fund's compliance with the performance requirements as referred to in the 2002 Measure G and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the Fund's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the Fund's internal control in order to determine if the internal controls were adequate to help ensure the Fund's compliance with the requirements referred to in the 2002 Measure G and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution, but not for the purpose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District expended 2002 Measure G Funds only for the specific projects approved by the voters in accordance with 2002 Measure G, and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

Palo Alto, California  
\_\_\_\_\_, 2018

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# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2002 MEASURE G FUND JUNE 30, 2018**

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### ***AUTHORITY FOR ISSUANCE***

The 2002 Measure G Bonds (the Measure) are issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law.

The general obligation bonds were authorized by an election of the registered voters of the East Side Union High School District held in March 2002. The authorized issuance amount of the bonds is \$298,000,000. Schedule below summarizes bond issuance dates and amounts:

Issued Date	Series	Issued Amount
07/09/02	Series A	\$ 30,000,000
04/03/03	Series B	30,000,000
07/28/04	Series C	50,000,000
06/02/05	Series D	70,000,000
06/16/05	Series E	29,999,530
07/11/06	Series F	50,000,000
08/15/07	Series G	19,997,739
12/04/08	Series H	18,000,000
	Total	<u>\$ 297,997,269</u>

### ***PURPOSE OF ISSUANCE***

The net proceeds of the bonds issued under the authorization will be used for the purposes specified in the measure submitted at the 2002 election, which include upgrading classrooms and libraries, providing safety improvements, modernizing lighting, roofs, windows, and plumbing and technology upgrades and removing hazardous materials.

Per the Measure, the scope of bond proceeds is “To provide greater security and safety, relieve overcrowding, and improve technology at the following schools: Andrew Hill, Independence, James Lick, Mount Pleasant, Piedmont Hills, Oak Grove, Santa Teresa, Silver Creek, W.C. Overfelt, Yerba Buena, Foothill, Alternative Schools, and the Adult Education Centers, shall the East Side Union High School District issue \$298 million of bonds within legal interest rate limits to repair, build, and equip its facilities provided the spending such funds is reviewed by an independent citizen oversight committee.”

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2002 MEASURE G FUND**

**JUNE 30, 2018**

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### ***AUTHORITY FOR THE AUDIT***

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act which amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (Assembly Bills 1908 and 2659) requires the following accountability measures as codified in Education Code sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The school district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.
3. Requires the school district to appoint a citizens' oversight committee.
4. Requires the school district to conduct an annual independent financial audit and performance audit in accordance with the Government Auditing Standards issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the school district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

### ***OBJECTIVES OF THE AUDIT***

1. Determine whether expenditures charged to the Fund have been made in accordance with the bond project list approved by the voters through the approval of the 2002 Measure G.
2. Determine whether salary transactions charged to the Fund were in support of the 2002 Measure G and not for District general administration or operations.

### ***SCOPE OF THE AUDIT***

The scope of our performance audit covered the period of July 1, 2017 to June 30, 2018. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2018 were not reviewed or included within the scope of our audit or in this report.



# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2002 MEASURE G FUND JUNE 30, 2018**

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### ***PROCEDURES PERFORMED***

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2018 for the 2002 Measure G Fund. Within the fiscal year audited, we obtained invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and the 2002 Measure G as to the approved bond projects list. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 2017 and ending June 30, 2018, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
2. Our sample included transactions totaling \$1,481,320. This represents 73 percent of the total expenditures of \$2,038,532.
3. We verified that funds were generally expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects. In addition, we verified that funds held were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

### ***CONCLUSION***

The results of our tests indicated that, in all significant respects, the East Side Union High School District has properly accounted for the expenditures held in the Fund, and that such expenditures were made for authorized bond projects. Further, it was noted that funds held in the Fund, and expended by the District, were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**2002 MEASURE G FUND**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**JUNE 30, 2018**

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None reported.

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**EAST SIDE UNION HIGH SCHOOL DISTRICT**

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**2008 MEASURE E FUND  
ANNUAL FINANCIAL REPORT**

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**FOR THE YEAR ENDED JUNE 30, 2018**

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# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2008 MEASURE E FUND TABLE OF CONTENTS JUNE 30, 2018**

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Certified Public Accountants

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## INDEPENDENT AUDITOR'S REPORT

Governing Board and  
Citizens' Bond Oversight Committee  
East Side Union High School District  
San Jose, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the East Side Union High School District's (the District), 2008 Measure E Fund (the Fund), as of and for the year ended June 30, 2018, and the related notes to the financial statements, as listed in the table of contents.

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

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

### ***Opinion***

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the 2008 Measure E Fund of the East Side Union High School District as of June 30, 2018, 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.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the financial activities of the 2008 Measure E Fund, as of June 30, 2018, and are not intended to present fairly the financial position and the results of operations of East Side Union High School District in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated \_\_\_\_\_, 2018, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered with the results of our audit.

Palo Alto, California  
\_\_\_\_\_, 2018



# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2008 MEASURE E FUND**

### **BALANCE SHEET**

**JUNE 30, 2018**

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#### **ASSETS**

Deposits and investments	\$ 52,623,493
Interest receivable	234,237
Prepaid expenses	13,770
Total Assets	<u>\$ 52,871,500</u>

#### **LIABILITIES AND FUND BALANCES**

##### **LIABILITIES**

Vendor payable	\$ 4,023,283
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##### **FUND BALANCE**

Restricted for capital projects	48,848,217
Total Liabilities and Fund Balance	<u>\$ 52,871,500</u>

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

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2008 MEASURE E FUND**

### **STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2018**

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#### **REVENUES**

Investment income	\$ 1,013,831
Total Revenues	<u>1,013,831</u>

#### **EXPENDITURES**

Current Expenditures	
Classified salaries	663,986
Employees benefits	331,865
Supplies	354,867
Services and other operating expenses	191,834
Capital Outlay	<u>29,629,591</u>
Total Expenditures	<u>31,172,143</u>

<b>NET CHANGE IN FUND BALANCE</b>	(30,158,312)
<b>FUND BALANCE - BEGINNING</b>	<u>79,006,529</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 48,848,217</u>

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

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2008 MEASURE E FUND**

### **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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#### ***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The accounting policies of the 2008 Measure E Fund (the Fund) of the East Side Union High School District (the District) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

#### **Financial Reporting Entity**

The financial statements include the financial activity of the Fund only. The Fund was established to account for the expenditures of general obligation bonds issued under the Measure E Election of 2008 (the Measure). These financial statements are not intended to present the financial position and results of operations of the District as a whole, in conformity with accounting principles generally accepted in the United States of America. The authorized issuance amount of the bonds is \$349,000,000. Schedule below summarizes the bond issuance dates and amounts:

<u>Issued Date</u>	<u>Series</u>	<u>Issued Amount</u>
06/12/08	Series A	\$ 50,000,000
03/24/10	Series B	100,000,000
07/14/11	Series C	20,026,088
04/17/12	Series D	100,000,000
02/15/17	Series E	78,970,000
	Total	<u>\$ 348,996,088</u>

#### **Fund Accounting**

The operations of the Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the Fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

#### **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The financial statements of the Fund are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Using this measurement focus, only current assets and current liabilities are included in the balance sheet. Long-term debt is not included as a liability of the Fund, but is disclosed separately in the notes to financial statements. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred.

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2008 MEASURE E FUND NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018**

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### ***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED***

#### **Fund Balance - Governmental Funds**

As of June 30, 2018, fund balance of the Fund is classified as restricted for capital projects.

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

### ***NOTE 2 - INVESTMENTS***

#### **Investment in County Treasury**

The District, alongside with the Fund, is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statement at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

The District has deposit all the Fund's investment in the Santa Clara County Treasury. As of June 30, 2018, the investment has book value of \$29,307,319. The fair values of the investment is approximately book value.

#### **Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Fund manages its exposure to interest rate risk by depositing substantially all of its cash in the County Pool. The weighted average maturity of the Pool is 479 days, as reported by the Santa Clara County Treasurer.

#### **Fair Value Measurements**

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

Investment in the county treasury investment pool is not measured using the input levels above because the participant's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share. Accordingly, the Fund's investment in the Santa Clara County Pool is uncategorized

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## 2008 MEASURE E FUND NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

### NOTE 3 - GENERAL LONG-TERM DEBT

The 2008 Measure E general obligation bonds are outstanding as follows:

Issue Title	Maturity Date	Interest Rate	Original Issue	Bonds		Defeased/ Redeemed	Bonds
				Outstanding July 1, 2017	Issued		Outstanding June 30, 2018
2008 A	2039	4.0%-5.0%	\$ 50,000,000	\$ 1,160,000	\$ -	\$ 1,160,000	\$ -
2008 B	2040	3.0%-5.0%	100,000,000	6,610,000	-	2,090,000	4,520,000
2008 C	2026	4.0%	20,026,088	13,185,968	-	1,295,711	11,890,257
2008 D	2043	2.0%-5.0%	100,000,000	98,910,000	-	1,260,000	97,650,000
2015 Ref	2039	3.0%-5.0%	41,420,000	41,350,000	-	-	41,350,000
2016 Ref	2040	3.0%-5.0%	83,665,000	82,080,000	-	-	82,080,000
2008 E	2031	3.5%-5.0%	78,970,000	78,970,000	-	-	78,970,000
Total				<u>\$ 322,265,968</u>	<u>\$ -</u>	<u>\$ 5,805,711</u>	<u>\$ 316,460,257</u>

2015 Refunding bonds were issued on August 4, 2015 to refund partially the 2008 election series A bonds. 2016 Refunding bonds were issued on May 11, 2016 to refund partially the 2008 election series B bonds.

The debt service requirements of 2008 Measure E bond programs are outstanding as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2019	\$ 6,209,240	\$ 13,776,666	\$ 19,985,906
2020	6,544,309	13,506,541	20,050,850
2021	8,070,982	13,169,698	21,240,680
2022	8,969,321	12,750,437	21,719,758
2023	10,399,394	12,273,184	22,672,578
2024 - 2028	69,197,011	52,118,905	121,315,916
2029 - 2033	93,990,000	32,358,580	126,348,580
2034 - 2038	65,015,000	16,445,373	81,460,373
2039 - 2044	48,065,000	4,285,632	52,350,632
Total	<u>\$ 316,460,257</u>	<u>\$ 170,685,016</u>	<u>\$ 487,145,273</u>

### Debt Service Requirements

The general obligation bonds mature through the 2044 fiscal year. Repayment of the bonds will be funded by a separate property tax override levied on property residing within the District boundaries. Property tax revenues will be collected and disbursed out of a separate Bond Interest and Redemption Fund accounted for by the Santa Clara County Controller's Office. This fund is not included as part of these financial statements. General school district revenues will not be required to fund the debt service on the bonds.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## 2008 MEASURE E FUND NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### NOTE 4 - COMMITMENTS AND CONTINGENCIES

#### Construction Commitments

As of June 30, 2018, the District had construction commitments which are partially funded by the 2008 Measure E Fund as follows:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Evergreen Valley - Mechanical and Electrical Upgrades	\$ 34,198	6/30/2019
District Program Cost	49,998	6/30/2019
Santa Teresa - Pool Modernization	36,574	6/30/2019
Santa Teresa - Track and Field Improvements	118,518	6/30/2019
Santa Teresa - Student Parking Lot Entry Improvement	1,859	6/30/2019
Santa Teresa - Field Concession Building	44,228	6/30/2019
Program Management Services Cost	405,752	2/28/2019
Santa Teresa - Landscape and Hardscape Upgrade	41,512	6/30/2019
Santa Teresa - Building 600 Modernization	7,350	6/30/2019
Independence - Buildings GHKL Modernization	8,688	6/30/2019
Independence - Building J Modernization	36,296	6/30/2019
Independence - Portable Village	14,306	6/30/2019
Yerba Buena - Pool Modernization	61,143	6/30/2019
Yerba Buena - New Student Union and Quad Modernization	262,693	6/30/2019
Yerba Buena - Concession/Restroom Building	60,545	6/30/2019
Yerba Buena - Alternative Education MiniCampus Improvements	8,046	6/30/2019
Silver Creek - Field Concession Building	70,999	6/30/2019
Silver Creek - Upgrade Quads	4,147	6/30/2019
District Wide - Roofing	54,705	6/30/2019
Oak Grove - New Student Center and Quad Renovation	3,909	6/30/2019
Oak Grove - Alternative Education Campus Improvements	200,056	6/30/2019
Piedmont Hills - New Classroom Building D1 and D2	578	6/30/2019
Piedmont Hills - New Small Gym	36,290	6/30/2019
Independence Adult Center Administration New Building and Miscellaneous	7,720	6/30/2019
W.C. Overfelt Music, Art and Administration New Building and Central Quad Modernization	20,243,162	6/30/2021
W.C. Overfelt - Building L Classroom Modernization	15,976	6/30/2019
Mt. Pleasant - Pool Modernization	31,511	6/30/2019
Mt. Pleasant - New Student Center and Quads Modernization	9,766	6/30/2019
James Lick - Student Center and Quad Modernization	2,176,069	6/30/2019
Andrew Hill - Infrastructure Exterior Painting	400,000	6/30/2019
Andrew Hill - Courtyards Improvements	50,136	6/30/2019
Andrew Hill - Gymnasium Windows Replacement	212,557	6/30/2019
Foothill - Quad Upgrade (Hardscape-Landscape)	43,759	6/30/2019
	<u>\$ 24,753,046</u>	

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2008 MEASURE E FUND**

### **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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#### ***NOTE 4 - COMMITMENTS AND CONTINGENCIES, CONTINUED***

##### **Litigation**

The Fund is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Fund as of June 30, 2018.

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***INDEPENDENT AUDITOR'S REPORT***

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

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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***

Governing Board and  
Citizens' Bond Oversight Committee  
East Side Union High School District  
San Jose, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the East Side Union High School District's (the District) 2008 Measure E Fund (the Fund), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated \_\_\_\_\_, 2018.

**Internal Control over Financial Reporting**

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

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

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

## **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Palo Alto, California  
\_\_\_\_\_, 2018

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***SCHEDULE OF FINDINGS***

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**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**2008 MEASURE E FUND  
FINANCIAL STATEMENT FINDINGS  
JUNE 30, 2018**

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None reported.

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**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**2008 MEASURE E FUND**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**JUNE 30, 2018**

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None reported.

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**EAST SIDE UNION HIGH SCHOOL DISTRICT**

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**2008 MEASURE E FUND  
PERFORMANCE AUDIT**

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**FOR THE YEAR ENDED JUNE 30, 2018**

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# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2008 MEASURE E FUND**

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**JUNE 30, 2018**

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## INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

Governing Board and  
Citizens' Bond Oversight Committee  
East Side Union High School District  
San Jose, California

We were engaged to conduct a performance audit of the East Side Union High School District's (the District), 2008 Measure E Fund (the Fund) for the year ended June 30, 2018.

We conducted this performance audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report, which includes determining the Fund's compliance with the performance requirements as referred to in the 2008 Measure E and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the Fund's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the Fund's internal control in order to determine if the internal controls were adequate to help ensure the Fund's compliance with the requirements referred to in the 2008 Measure E and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution, but not for the purpose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District expended 2008 Measure E Funds only for the specific projects approved by the voters in accordance with 2008 Measure E, and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

Palo Alto, California  
\_\_\_\_\_, 2018

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# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2008 MEASURE E FUND**

**JUNE 30, 2018**

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### ***AUTHORITY FOR ISSUANCE***

The 2008 Measure E Bonds (the Measure) are issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law.

The general obligation bonds were authorized by an election of the registered voters of the East Side Union High School District held on February 5, 2008. The authorized issuance amount of the bonds is \$349,000,000. Schedule below summarizes bond issuance dates and amounts:

<u>Issued Date</u>	<u>Series</u>	<u>Issued Amount</u>
06/12/08	Series A	\$ 50,000,000
03/24/10	Series B	100,000,000
07/14/11	Series C	20,026,088
04/17/12	Series D	100,000,000
02/15/17	Series E	78,970,000
	Total	<u>\$ 348,996,088</u>

### ***PURPOSE OF ISSUANCE***

The net proceeds of the bonds issued under the authorization will be used for the purposes specified in the measure submitted at the 2008 election, which include upgrading classrooms and libraries, providing safety improvements, modernizing lighting, roofs, windows, and plumbing and technology upgrades and removing hazardous materials.

Per the Measure, the scope of "Bond proceeds will be expended to modernize, replace, renovate, construct, equip, furnish, rebuild and otherwise improve District facilities. The specific school facilities projects include all related and incidental costs, including costs of design, engineering, architect and other professional services, site preparation, utilities, landscaping and other incidental costs, and construction management. Bond proceeds may also be expended to acquire real property for future educational facilities and to acquire and install furniture, fixtures and equipment at any classrooms and other facilities of the District. The District may alter the scope and nature of any of the specific projects, as required by conditions that arise during the course of design and construction, including unforeseen conditions such as dry rot, mold and faulty engineering."

### ***AUTHORITY FOR THE AUDIT***

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act which amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in Education Code Sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2008 MEASURE E FUND**

**JUNE 30, 2018**

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2. The school district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.
3. Requires the school district to appoint a citizens' oversight committee.
4. Requires the school district to conduct an annual independent financial audit and performance audit in accordance with the Government Auditing Standards issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the school district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

### ***OBJECTIVES OF THE AUDIT***

1. Determine whether expenditures charged to the Fund have been made in accordance with the bond project list approved by the voters through the approval of the 2008 Measure E.
2. Determine whether salary transactions charged to the Fund were in support of the 2008 Measure E and not for District general administration or operations.

### ***SCOPE OF THE AUDIT***

The scope of our performance audit covered the period of July 1, 2017 to June 30, 2018. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2018 were not reviewed or included within the scope of our audit or in this report.

### ***PROCEDURES PERFORMED***

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2018 for the 2008 Measure E Fund. Within the fiscal year audited, we obtained invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and the 2008 Measure E as to the approved bond projects list. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 2017 and ending June 30, 2018, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
2. Our sample included transactions totaling \$25,245,870. This represents 81 percent of the total expenditures of \$31,172,143.
3. We verified that funds were generally expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects. In addition, we verified that funds held were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2008 MEASURE E FUND**

**JUNE 30, 2018**

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### ***CONCLUSION***

The results of our tests indicated that, in all significant respects, the East Side Union High School District has properly accounted for the expenditures held in the Fund and that such expenditures were made for authorized bond projects. Further, it was noted that funds held in the Fund, and expended by the District, were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

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**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**2008 MEASURE E FUND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2018**

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None reported.

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**EAST SIDE UNION HIGH SCHOOL DISTRICT**

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**2012 MEASURE I FUND  
ANNUAL FINANCIAL REPORT**

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**FOR THE YEAR ENDED JUNE 30, 2018**

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# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2012 MEASURE I FUND TABLE OF CONTENTS JUNE 30, 2018**

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## INDEPENDENT AUDITOR'S REPORT

Governing Board and  
Citizens' Bond Oversight Committee  
East Side Union High School District  
San Jose, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the East Side Union High School District's (the District), 2012 Measure I Fund (the Fund), as of and for the year ended June 30, 2018, and the related notes to the financial statements, as listed in the table of contents.

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

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

### ***Opinion***

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the 2012 Measure I Fund of the East Side Union High School District at June 30, 2018, 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.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the financial activities of the 2012 Measure I Fund, as of June 30, 2018, and are not intended to present fairly the financial position and the results of operations of East Side Union High School District in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated \_\_\_\_\_, 2018, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered with the results of our audit.

Palo Alto, California  
\_\_\_\_\_, 2018

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2012 MEASURE I FUND BALANCE SHEET JUNE 30, 2018**

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### **ASSETS**

Deposits and investments	\$ 34,819,236
Interest receivable	170,579
Total Assets	<u>\$ 34,989,815</u>

### **LIABILITIES AND FUND BALANCES**

#### **LIABILITIES**

Vendor payable	\$ 5,958,223
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#### **FUND BALANCE**

Restricted for capital projects	29,031,592
Total Liabilities and Fund Balance	<u>\$ 34,989,815</u>

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

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2012 MEASURE I FUND**

### **STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2018**

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#### **REVENUES**

Investment income	\$ 754,525
Total Revenues	<u>754,525</u>

#### **EXPENDITURES**

Current Expenditures	
Classified salaries	406,233
Employees benefits	199,657
Supplies	647,518
Services and other operating expenses	1,096,493
Capital Outlay	<u>31,768,884</u>
Total Expenditures	<u>34,118,785</u>

#### **NET CHANGE IN FUND BALANCE**

(33,364,260)

#### **FUND BALANCE - BEGINNING**

62,395,852

#### **FUND BALANCE - ENDING**

\$ 29,031,592

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



# EAST SIDE UNION HIGH SCHOOL DISTRICT

## 2012 MEASURE I FUND

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the 2012 Measure I Fund (the Fund) of the East Side Union High School District (the District) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

#### **Financial Reporting Entity**

The financial statements include the financial activity of the Fund only. The Fund was established to account for the expenditures of general obligation bonds issued under the Measure I Election of 2012 (the Measure). These financial statements are not intended to present the financial position and results of operations of the District as a whole, in conformity with accounting principles generally accepted in the United States of America. The authorized issuance amount of the bonds is \$120,000,000. Schedule below summarizes the bond issuance dates and amounts:

Issued Date	Series	Issued Amount
11/13/13	Series A	\$ 20,000,000
06/23/15	Series B	100,000,000
	Total	<u>\$ 120,000,000</u>

#### **Fund Accounting**

The operations of the Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the Fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

#### **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The financial statements of the Fund are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Using this measurement focus, only current assets and current liabilities are included in the balance sheet. Long-term debt is not included as a liability of the Fund, but is disclosed separately in the notes to financial statements. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred.

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2012 MEASURE I FUND NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018**

---

### ***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED***

#### **Fund Balance - Governmental Funds**

As of June 30, 2018, fund balance of the Fund is classified as restricted for capital projects.

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

### ***NOTE 2 - INVESTMENTS***

#### **Investment in County Treasury**

The District, alongside with the Fund, is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statement at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

The District has deposit all the Fund's investment in the Santa Clara County Treasury. As of June 30, 2018, the investment has book value of \$29,307,319. The fair values of the investment is approximately book value.

#### **Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Fund manages its exposure to interest rate risk by depositing substantially all of its cash in the County Pool. The weighted average maturity of the Pool is 479 days, as reported by the Santa Clara County Treasurer.

#### **Fair Value Measurements**

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

Investment in the county treasury investment pool are not measured using the input levels above because the participant's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share. Accordingly, the Fund's investment in the Santa Clara County Pool is uncategorized.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## 2012 MEASURE I FUND NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

### NOTE 3 - GENERAL LONG-TERM DEBT

The 2012 Measure I general obligation bonds are outstanding as follows:

Issue Title	Maturity Date	Interest Rate	Original Issue	Bonds		Defeased/ Redeemed	Bonds Outstanding June 30, 2018
				Outstanding July 1, 2017	Issued		
2012 A	2039	2.0%-5.3%	\$ 20,000,000	\$ 17,535,000	\$ -	\$ 485,000	\$ 17,050,000
2012 B	2036	4.0%-5.0%	100,000,000	98,000,000	-	2,600,000	95,400,000
				<u>\$ 115,535,000</u>	<u>\$ -</u>	<u>\$ 3,085,000</u>	<u>\$ 112,450,000</u>

The debt service requirements of 2012 Measure I bond programs are outstanding as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2019	\$ 2,620,000	\$ 5,302,944	\$ 7,922,944
2020	2,850,000	5,186,869	8,036,869
2021	3,120,000	5,040,194	8,160,194
2022	3,415,000	4,876,819	8,291,819
2023	3,750,000	4,697,694	8,447,694
2024-2028	24,800,000	20,145,970	44,945,970
2029-2033	37,670,000	12,539,089	50,209,089
2034-2038	32,955,000	2,815,629	35,770,629
2039-2040	1,270,000	33,338	1,303,338
Total	<u>\$ 112,450,000</u>	<u>\$ 60,638,546</u>	<u>\$ 173,088,546</u>

### Debt Service Requirements

The general obligation bonds mature through the 2040 fiscal year. Repayment of the bonds will be funded by a separate property tax override levied on property residing within the District boundaries. Property tax revenues will be collected and disbursed out of a separate Bond Interest and Redemption Fund accounted for by the Santa Clara County Controller's Office. This fund is not included as part of these financial statements. General school district revenues will not be required to fund the debt service on the bonds.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## 2012 MEASURE I FUND NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### NOTE 4 - COMMITMENTS AND CONTINGENCIES

#### Construction Commitments

As of June 30, 2018, the District had construction commitments which are partially funded by the 2012 Measure I Fund as follows:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Santa Teresa - Infrastructure Modernization	\$ 24,890	6/30/2019
Evergreen Valley - Fire Damper Upgrade	5,190	6/30/2019
District Program Cost	40,468	6/30/2019
Phoenix - Classroom Building and Courtyard	109,652	6/30/2019
Santa Teresa - Swimming Pool Modernization	5,281	6/30/2019
Santa Teresa - Track and Field Improvements	132,754	6/30/2019
Santa Teresa - Student Parking Lot Entry	10,373	6/30/2019
Program Management Services Cost	144,995	2/28/2019
Santa Teresa - Field Concession Building	47,249	6/30/2019
Santa Teresa - Infrastructure Modernization	1,653	6/30/2019
Santa Teresa - Building 600 Modernization	10,567	6/30/2019
Santa Teresa - Building 1300 Modernization	70,089	6/30/2019
Independence - Tree Trimming	723	6/30/2019
Independence - Buildings GHKL Modernization	24,817	6/30/2019
Independence - Streetscape, Infrastructure, Wayfinding Modernization	11,181	6/30/2019
Independence - Building B Commons Modernization	2,100	6/30/2019
Independence - Building J Modernization	64,489	6/30/2019
Yerba Buena - Tree Trimming	22,358	6/30/2019
Yerba Buena - Pool Modernization	5,951	6/30/2019
Yerba Buena - New Student Union and Quad Modernization	136,954	6/30/2019
Silver Creek - Pool Modernization	36,984	6/30/2019
Silver Creek - Building N Modernization and New Quad Marquee	29,248	6/30/2019
Silver Creek - Field Concession Building	15,873	6/30/2019
Silver Creek - Upgrade Quads	79,346	6/30/2019
Silver Creek - Site Infrastructure Improvements	25,743	6/30/2019
District Wide Fire Alarm Modernization	66,426	6/30/2019
District Wide Security Camera Upgrades	81,000	6/30/2019
Oak Grove - Tree Trimming	24,566	6/30/2019
Oak Grove - Replacement Security Fencing	16,921	6/30/2019
Oak Grove - Renovate Building H1/H2 Restrooms	58,320	6/30/2019
Oak Grove - New Student Center and Quad Renovation	1,044,125	6/30/2019
Piedmont Hills - Pool Modernization	43,576	6/30/2019
Piedmont Hills - New Classroom Building D1 and D2	5,840,480	6/30/2019
Piedmont Hills - Site Infrastructure Improvements	3,638	6/30/2019
W.C. Overfelt - Pool Modernization	5,925	6/30/2019

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## 2012 MEASURE I FUND

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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#### *NOTE 4 - COMMITMENTS AND CONTINGENCIES, CONTINUED*

Capital Project	Remaining Construction Commitment	Expected Date of Completion
W.C. Overfelt Music, Art and Administration New Building and Central Quad Modernization	1,238,531	6/30/2021
W.C. Overfelt Infrastructure	99,100	6/30/2019
Mt. Pleasant - Pool Modernization	5,279	6/30/2019
Mt. Pleasant - New Student Center and Quads	460,516	6/30/2019
Mt. Pleasant - Site Infrastructure Improvements	12,019	6/30/2019
James Lick - Pool Modernization	36,964	6/30/2019
James Lick - Student Center and Quad Modernization	2,452,619	6/30/2019
James Lick - Classroom Modernization	17,601	6/30/2019
Andrew Hill - Courtyards Improvements	55,120	6/30/2019
Foothill - Building D Computer Lab Modernization	2,091	6/30/2019
Foothill - Hooper Hall Modernization	192,216	6/30/2019
Foothill - Quad Upgrade (Hardscape-Landscape)	3,232	6/30/2019
Foothill - Site Infrastructure Improvements	15,283	6/30/2019
	<u>\$ 12,834,476</u>	

#### **Litigation**

The Fund is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Fund as of June 30, 2018.

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***INDEPENDENT AUDITOR'S REPORT***

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

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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***

Governing Board and  
Citizens' Bond Oversight Committee  
East Side Union High School District  
San Jose, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the East Side Union High School District's (the District) 2012 Measure I Fund (the Fund), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated \_\_\_\_\_, 2018.

**Internal Control over Financial Reporting**

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

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Palo Alto, California  
\_\_\_\_\_, 2018



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***SCHEDULE OF FINDINGS***

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**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**2012 MEASURE I FUND  
FINANCIAL STATEMENT FINDINGS  
JUNE 30, 2018**

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None reported.

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**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**2012 MEASURE I FUND**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**JUNE 30, 2018**

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None reported.

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**EAST SIDE UNION HIGH SCHOOL DISTRICT**

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**2012 MEASURE I FUND  
PERFORMANCE AUDIT**

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**FOR THE YEAR ENDED JUNE 30, 2018**

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# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

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## INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

Governing Board and  
Citizens' Bond Oversight Committee  
East Side Union High School District  
San Jose, California

We were engaged to conduct a performance audit of the East Side Union High School District (the District), 2012 Measure I Fund (the Fund) for the year ended June 30, 2018.

We conducted this performance audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report, which includes determining the Fund's compliance with the performance requirements as referred to in the 2012 Measure I and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the Fund's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the Fund's internal control in order to determine if the internal controls were adequate to help ensure the Fund's compliance with the requirements referred to in the 2012 Measure I and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution, but not for the purpose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District expended 2012 Measure I Funds only for the specific projects approved by the voters in accordance with 2012 Measure I, and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

Palo Alto, California  
\_\_\_\_\_, 2018

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# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2012 MEASURE I FUND**

**JUNE 30, 2018**

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### ***AUTHORITY FOR ISSUANCE***

The 2012 Measure I Bonds (the Measure) are issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law.

The general obligation bonds were authorized by an election of the registered voters of the East Side Union High School District held on November 6, 2012. The authorized issuance amount of the bonds is \$120,000,000. Schedule below summarizes bond issuance dates and amounts:

<u>Issued Date</u>	<u>Series</u>	<u>Issued Amount</u>
11/13/13	Series A	\$ 20,000,000
06/23/15	Series B	100,000,000
	Total	<u>\$ 120,000,000</u>

### ***PURPOSE OF ISSUANCE***

The net proceeds of the bonds issued under the authorization will be used for the purposes specified in the measure submitted at the 2012 election, which include upgrading classrooms and science labs, providing safety improvements, repairs, and to construct classrooms/facilities.

Per the Measure, the scope of bond proceeds is "To upgrade computer/science labs; improve security/safety; repair, equip, and construct classrooms/facilities at Andrew Hill, Calero, Evergreen Valley, Foothill, Independence, James Lick, Mount Pleasant, Oak Grove, Piedmont Hills, Santa Teresa, Silver Creek, Yerba Buena, W.C. Overfelt, and District adult, alternative, and charter schools; and acquire property for new schools."

### ***AUTHORITY FOR THE AUDIT***

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act which amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in Education Code Sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The school district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.
3. Requires the school district to appoint a citizens' oversight committee.
4. Requires the school district to conduct an annual independent financial audit and performance audit in accordance with the Government Auditing Standards issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2012 MEASURE I FUND**

**JUNE 30, 2018**

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5. Requires the school district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

### ***OBJECTIVES OF THE AUDIT***

1. Determine whether expenditures charged to the Fund have been made in accordance with the bond project list approved by the voters through the approval of the 2012 Measure I.
2. Determine whether salary transactions charged to the Fund were in support of the 2012 Measure I and not for District general administration or operations.

### ***SCOPE OF THE AUDIT***

The scope of our performance audit covered the period of July 1, 2017 to June 30, 2018. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2018 were not reviewed or included within the scope of our audit or in this report.

### ***PROCEDURES PERFORMED***

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2018 for the 2012 Measure I Fund. Within the fiscal year audited, we obtained invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and 2012 Measure I as to the approved bond projects list. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 2017 and ending June 30, 2018, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
2. Our sample included transactions totaling \$28,657,649. This represents 84 percent of the total expenditures of \$34,118,785.
3. We verified that funds were generally expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects. In addition, we verified that funds held were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

### ***CONCLUSION***

The results of our tests indicated that, in all significant respects, the East Side Union High School District has properly accounted for the expenditures held in the Fund and that such expenditures were made for authorized bond projects. Further, it was noted that funds held in the Fund, and expended by the District, were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**2012 MEASURE I FUND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2018**

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None reported.

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**EAST SIDE UNION HIGH SCHOOL DISTRICT**

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**2014 MEASURE I FUND  
ANNUAL FINANCIAL REPORT**

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**FOR THE YEAR ENDED JUNE 30, 2018**

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# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2014 MEASURE I FUND TABLE OF CONTENTS JUNE 30, 2018**

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## INDEPENDENT AUDITOR'S REPORT

Governing Board and  
Citizens' Bond Oversight Committee  
East Side Union High School District  
San Jose, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the East Side Union High School District's (the District), 2014 Measure I Fund (the Fund), as of and for the year ended June 30, 2018, and the related notes to the financial statements, as listed in the table of contents.

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

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

### ***Opinion***

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the 2014 Measure I Fund of the East Side Union High School District at June 30, 2018, 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.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the financial activities of the 2014 Measure I Fund, as of June 30, 2018, and are not intended to present fairly the financial position and the results of operations of East Side Union High School District in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated \_\_\_\_\_, 2018, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered with the results of our audit.

Palo Alto, California  
\_\_\_\_\_, 2018

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2014 MEASURE I FUND BALANCE SHEET JUNE 30, 2018**

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### **ASSETS**

Deposits and investments	\$ 12,698,765
Interest receivable	56,232
Prepaid expenses	318,251
Total Assets	<u>\$ 13,073,248</u>

### **LIABILITIES AND FUND BALANCES**

#### **LIABILITIES**

Vendor payable	\$ 11,927
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#### **FUND BALANCE**

Restricted for capital projects	13,061,321
Total Liabilities and Fund Balance	<u>\$ 13,073,248</u>

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

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2014 MEASURE I FUND**

### **STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2018**

---

#### **REVENUES**

Proceeds from sale of bonds	\$ 20,000,000
Investment income	196,310
Total Revenues	<u>20,196,310</u>

#### **EXPENDITURES**

Current Expenditures	
Classified salaries	111,474
Employees benefits	48,693
Supplies	4,666,724
Services and other operating expenses	1,023,665
Capital Outlay	4,526,419
Total Expenditures	<u>10,376,975</u>

#### **NET CHANGE IN FUND BALANCE**

9,819,335

#### **FUND BALANCE - BEGINNING**

3,241,986

#### **FUND BALANCE - ENDING**

\$ 13,061,321

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

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## 2014 MEASURE I FUND NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

---

### *NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

The accounting policies of the 2014 Measure I Fund (the Fund) of the East Side Union High School District (the District) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

#### **Financial Reporting Entity**

The financial statements include the financial activity of the Fund only. The Fund was established to account for the expenditures of general obligation bonds issued under the Measure I Election of 2014 (the Measure). These financial statements are not intended to present the financial position and results of operations of the District as a whole, in conformity with accounting principles generally accepted in the United States of America. The authorized issuance amount of the bonds is \$113,200,000. Schedule below summarizes the bond issuance dates and amounts:

<u>Issued Date</u>	<u>Series</u>	<u>Issued Amount</u>
6/23/2015	Series A	\$ 16,200,000
10/4/2017	Series B	20,000,000
	Total	<u>\$ 36,200,000</u>

#### **Fund Accounting**

The operations of the Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the Fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

#### **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The financial statements of the Fund are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Using this measurement focus, only current assets and current liabilities are included in the balance sheet. Long-term debt is not included as a liability of the Fund, but is disclosed separately in the notes to financial statements. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred.

#### **Fund Balance - Governmental Funds**

As of June 30, 2018, fund balance of the Fund is classified as restricted for technology projects.

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

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2014 MEASURE I FUND**

### **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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#### ***NOTE 2 - INVESTMENTS***

##### **Investment in County Treasury**

The District, alongside with the Fund, is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statement at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

The District has deposit all the Fund's investment in the Santa Clara County Treasury. As of June 30, 2018, the investment has book value of \$29,307,319. The fair values of the investment is approximately book value.

##### **Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Fund manages its exposure to interest rate risk by depositing substantially all of its cash in the County Pool. The weighted average maturity of the Pool is 479 days, as reported by the Santa Clara County Treasurer.

##### **Fair Value Measurements**

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

Investment in the county treasury investment pool are not measured using the input levels above because the participant's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share. Accordingly, the Fund's investment in the Santa Clara County Pool is uncategorized.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## 2014 MEASURE I FUND

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

#### NOTE 3 - GENERAL LONG-TERM DEBT

The 2014 Measure I general obligation bonds are outstanding as follows:

Issue Title	Maturity Date	Interest Rate	Original Issue	Bonds		Defeased/ Redeemed	Bonds Outstanding June 30, 2018
				Outstanding July 1, 2017	Issued		
2014 A	2019	5%	\$ 16,200,000	\$ 11,100,000	\$ -	\$ 5,410,000	\$ 5,690,000
2014 B	2021	3%-5%	\$ 20,000,000	-	20,000,000	-	20,000,000
				<u>\$ 11,100,000</u>	<u>\$ 20,000,000</u>	<u>\$ 5,410,000</u>	<u>\$ 25,690,000</u>

The debt service requirements of 2014 Measure I bond programs are outstanding as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2019	\$ 5,690,000	\$ 919,220	\$ 6,609,220
2020	6,700,000	700,500	7,400,500
2021	6,500,000	470,000	6,970,000
2022	6,800,000	170,000	6,970,000
Total	<u>\$ 25,690,000</u>	<u>\$ 2,259,720</u>	<u>\$ 27,949,720</u>

#### Debt Service Requirements

The general obligation bonds mature through the 2022 fiscal year. Repayment of the bonds will be funded by a separate property tax override levied on property residing within the District boundaries. Property tax revenues will be collected and disbursed out of a separate Bond Interest and Redemption Fund accounted for by the Santa Clara County Controller's Office. This fund is not included as part of these financial statements. General school district revenues will not be required to fund the debt service on the bonds.

#### NOTE 4 - COMMITMENTS AND CONTINGENCIES

##### Construction Commitments

As of June 30, 2018, the District had technology commitments which are partially funded by the 2014 Measure I Fund as follows:

Capital Project	Remaining Technology Commitment	Expected Date of Completion
District Wide Network Equipment	\$ 110,000	6/30/2019
District Program Cost	18,230	6/30/2019
	<u>\$ 128,230</u>	



# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2014 MEASURE I FUND NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018**

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### ***NOTE 4 - COMMITMENTS AND CONTINGENCIES, CONTINUED***

#### **Litigation**

The Fund is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Fund as of June 30, 2018.

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***INDEPENDENT AUDITOR'S REPORT***

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

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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***

Governing Board and  
Citizens' Bond Oversight Committee  
East Side Union High School District  
San Jose, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the East Side Union High School District's (the District) 2014 Measure I Fund (the Fund), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated \_\_\_\_\_, 2018.

**Internal Control over Financial Reporting**

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

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Palo Alto, California  
\_\_\_\_\_, 2018

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***SCHEDULE OF FINDINGS***

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**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**2014 MEASURE I FUND  
FINANCIAL STATEMENT FINDINGS  
JUNE 30, 2018**

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None reported.

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**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**2014 MEASURE I FUND**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**JUNE 30, 2018**

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None reported.

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**EAST SIDE UNION HIGH SCHOOL DISTRICT**

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**2014 MEASURE I FUND  
PERFORMANCE AUDIT**

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**FOR THE YEAR ENDED JUNE 30, 2018**

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# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

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## INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE

Governing Board and  
Citizens' Bond Oversight Committee  
East Side Union High School District  
San Jose, California

We were engaged to conduct a performance audit of the East Side Union High School District (the District), 2014 Measure I Fund (the Fund) for the year ended June 30, 2018.

We conducted this performance audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report, which includes determining the Fund's compliance with the performance requirements as referred to in the 2014 Measure I and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the Fund's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the Fund's internal control in order to determine if the internal controls were adequate to help ensure the Fund's compliance with the requirements referred to in the 2014 Measure I and outlined in Article XIII A, Section 1 (b)(3)(C) of the California Constitution, but not for the purpose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District expended 2014 Measure I Funds only for the specific projects approved by the voters in accordance with 2014 Measure I, and outlined in Article XIII A, Section 1 (b)(3)(C) of the California Constitution.

Palo Alto, California  
\_\_\_\_\_ 2018

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# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2014 MEASURE I FUND**

**JUNE 30, 2018**

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### ***AUTHORITY FOR ISSUANCE***

The 2014 Measure I Bonds are issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law.

The general obligation bonds were authorized by an election of the registered voters of the East Side Union High School District held on November 4, 2014. The authorized issuance amount of the bonds is \$113,200,000. Schedule below summarizes bond issuance dates and amounts:

<u>Issued Date</u>	<u>Series</u>	<u>Issued Amount</u>
6/23/2015	Series A	\$ 16,200,000
10/4/2017	Series B	20,000,000
	Total	<u>\$ 36,200,000</u>

### ***PURPOSE OF ISSUANCE***

The net proceeds of the bonds issued under the authorization will be used for the purposes specified in the measure submitted at the 2014 election, which include increasing student computer access, upgrade educational software, keep pace with technological innovations and implement statewide testing requirements at Andrew Hill, Calero, Evergreen Valley, Foothill, Independence, James Lick, Mount Pleasant, Oak Grove, Piedmont Hills, Santa Teresa, Silver Creek, Yerba Buena, W.C. Overfelt, adult education centers, alternative schools, and charter schools.

2014 Measure I is a technology bond designed to help the District's students keep pace with today's rapidly changing educational technology by providing a replenished source of funding for new technology over the next eighteen years. The Fund will provide an ongoing source of locally controlled, affordable funds for classroom computers, internet infrastructure and other technological innovations at every school in the District.

### ***AUTHORITY FOR THE AUDIT***

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act which amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in Education Code Sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The school district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.
3. Requires the school district to appoint a citizens' oversight committee.



# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2014 MEASURE I FUND**

**JUNE 30, 2018**

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4. Requires the school district to conduct an annual independent financial audit and performance audit in accordance with the Government Auditing Standards issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the school district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

### ***OBJECTIVES OF THE AUDIT***

1. Determine whether expenditures charged to the Fund have been made in accordance with the bond project list approved by the voters through the approval of the 2014 Measure I.
2. Determine whether salary transactions charged to the Fund were in support of the 2014 Measure I and not for District general administration or operations.

### ***SCOPE OF THE AUDIT***

The scope of our performance audit covered the period of July 1, 2017 to June 30, 2018. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2018 were not reviewed or included within the scope of our audit or in this report.

### ***PROCEDURES PERFORMED***

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2018 for the 2014 Measure I Fund. Within the fiscal year audited, we obtained invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and 2014 Measure I as to the approved bond projects list. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 2017 and ending June 30, 2018, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
2. Our sample included transactions totaling \$8,697,179. This represents 84 percent of the total expenditures of \$10,376,975.
3. We verified that funds were generally expended for the devices, technology systems, softwares, and capital technology projects. In addition, we verified that funds held were used for salaries of administrators only to the extent they perform administrative oversight work on technology projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2014 MEASURE I FUND**

**JUNE 30, 2018**

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### ***CONCLUSION***

The results of our tests indicated that, in all significant respects, the East Side Union High School District has properly accounted for the expenditures held in the Fund and that such expenditures were made for authorized bond projects. Further, it was noted that funds held in the Fund, and expended by the District, were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

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**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**2014 MEASURE I FUND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2018**

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None reported.

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**EAST SIDE UNION HIGH SCHOOL DISTRICT**

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**2016 MEASURE Z FUND  
ANNUAL FINANCIAL REPORT**

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**FOR THE YEAR ENDED JUNE 30, 2018**

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# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2016 MEASURE Z FUND TABLE OF CONTENTS JUNE 30, 2018**

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## INDEPENDENT AUDITOR'S REPORT

Governing Board and  
Citizens' Bond Oversight Committee  
East Side Union High School District  
San Jose, California

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

We have audited the accompanying financial statements of the East Side Union High School District's (the District), 2016 Measure Z Fund (the Fund), as of and for the year ended June 30, 2018, and the related notes to the financial statements, as listed in the table of contents.

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

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

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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 financial statements, whether due to error or fraud. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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



### ***Opinion***

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the 2016 Measure Z Fund of the East Side Union High School District as of June 30, 2018, 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.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the financial activities of the 2016 Measure Z Fund, as of June 30, 2018, and are not intended to present fairly the financial position and the results of operations of East Side Union High School District in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated \_\_\_\_\_ 2018, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered with the results of our audit.

Palo Alto, California  
\_\_\_\_\_, 2018

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2016 MEASURE Z FUND BALANCE SHEET JUNE 30, 2018**

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### **ASSETS**

Deposits and investments	\$ 71,330,787
Interest receivable	<u>301,171</u>
Total Assets	<u><u>\$ 71,631,958</u></u>

### **LIABILITIES AND FUND BALANCES**

#### **LIABILITIES**

Vendor payable	\$ 563,945
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#### **FUND BALANCE**

Restricted for capital projects	71,068,013
Total Liabilities and Fund Balance	<u><u>\$ 71,631,958</u></u>

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

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2016 MEASURE Z FUND**

### **STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2018**

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#### **REVENUES**

Investment income	\$ 1,025,584
Total Revenues	<u>1,025,584</u>

#### **EXPENDITURES**

Current Expenditures	
Supplies	1,207
Services and other operating expenses	11,372
Capital Outlay	<u>1,800,725</u>
Total Expenditures	<u>1,813,304</u>

#### **NET CHANGE IN FUND BALANCE**

(787,720)

#### **FUND BALANCE - BEGINNING**

71,855,733

#### **FUND BALANCE - ENDING**

\$ 71,068,013

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

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2016 MEASURE Z FUND**

### **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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#### ***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The accounting policies of the 2016 Measure Z Fund (the Fund) of the East Side Union High School District (the District) conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

#### **Financial Reporting Entity**

The financial statements include the financial activity of the Fund only. The Fund was established to account for the expenditures of general obligation bonds issued under the Measure Z Election of 2016 (the Measure). These financial statements are not intended to present the financial position and results of operations of the District as a whole, in conformity with accounting principles generally accepted in the United States of America. The authorized issuance amount of the bonds is \$510,000,000. The first series of bonds in the amount of \$72,000,000 were sold on May 31, 2017.

#### **Fund Accounting**

The operations of the Fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in the Fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

#### **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The financial statements of the Fund are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Using this measurement focus, only current assets and current liabilities are included in the balance sheet. Long-term debt is not included as a liability of the Fund, but is disclosed separately in the notes to financial statements. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred.

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2016 MEASURE Z FUND**

### **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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#### ***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED***

##### **Fund Balance - Governmental Funds**

As of June 30, 2018, fund balance of the Fund is classified as restricted for capital projects.

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

#### ***NOTE 2 - INVESTMENTS***

##### **Investment in County Treasury**

The District, alongside with the Fund, is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statement at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

The District has deposit all the Fund's investment in the Santa Clara County Treasury. As of June 30, 2018, the investment has book value of \$29,307,319. The fair values of the investment is approximately book value.

##### **Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Fund manages its exposure to interest rate risk by depositing substantially all of its cash in the County Pool. The weighted average maturity of the Pool is 479 days, as reported by the Santa Clara County Treasurer.

##### **Fair Value Measurements**

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

Investment in the county treasury investment pool are not measured using the input levels above because the participant's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share. Accordingly, the Fund's investment in the Santa Clara County Pool is uncategorized.

## EAST SIDE UNION HIGH SCHOOL DISTRICT

### 2016 MEASURE Z FUND

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

#### NOTE 3 - GENERAL LONG-TERM DEBT

The 2016 Measure Z general obligation bonds are outstanding as follows:

Issue Title	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding		Defeased/ Redeemed	Bonds Outstanding June 30, 2018
				July 1, 2017	Issued		
2016 A	2021	2%-4%	\$ 72,000,000	<u>\$ 72,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,000,000</u>

The debt service requirements of 2016 Measure Z bond programs are outstanding as follows:

Fiscal Year	Interest to		Total
	Principal	Maturity	
2019	\$ 19,865,000	\$ 1,862,451	\$ 21,727,451
2020	21,160,000	1,399,250	22,559,250
2021	15,260,000	776,651	16,036,651
2022	15,715,000	235,726	15,950,726
Total	<u>\$ 72,000,000</u>	<u>\$ 4,274,078</u>	<u>\$ 76,274,078</u>

#### Debt Service Requirements

The general obligation bonds mature through the 2022 fiscal year. Repayment of the bonds will be funded by a separate property tax override levied on property residing within the District boundaries. Property tax revenues will be collected and disbursed out of a separate Bond Interest and Redemption Fund accounted for by the Santa Clara County Controller's Office. This fund is not included as part of these financial statements. General school district revenues will not be required to fund the debt service on the bonds.

# EAST SIDE UNION HIGH SCHOOL DISTRICT

## 2016 MEASURE Z FUND NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

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### *NOTE 4 - COMMITMENTS AND CONTINGENCIES*

#### **Construction Commitments**

As of June 30, 2018, the District had construction commitments which are partially funded by the 2016 Measure Z Fund as follows:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
District Program Cost	\$ 42,833	6/30/2019
Foothill - Infrastructure Synthetic Turf Field	190,222	6/30/2019
Andrew Hill - Infrastructure Exterior Painting	222,602	6/30/2019
Andrew Hill - Infrastructure Synthetic Turf Field	96,703	6/30/2019
Andrew Hill - Infrastructure ADA Walkway	1,500	6/30/2019
James Lick - Infrastructure Synthetic Turf Field	96,713	6/30/2019
W.C. Overfelt - Music, Art & Administration New Building and Central Quad Modernization	4,601,200	6/30/2021
Piedmont Hills - New Classroom Building D1 & D2	145,351	6/30/2019
Piedmont Hills - Infrastructure Synthetic Turf Field	96,713	6/30/2019
Oak Grove - New Student Center & Quad Renovation	800,000	6/30/2019
Oak Grove - Infrastructure Synthetic Turf Field	96,713	6/30/2019
Yerba Buena - Infrastructure Synthetic Turf Field	96,713	6/30/2019
Yerba Buena - Infrastructure ADA Walkway	1,500	6/30/2019
Independence - Infrastructure ADA Walkway	21,123	6/30/2019
Evergreen Valley - Infrastructure Exterior Painting	321,267	6/30/2019
	<u>\$ 6,831,153</u>	

#### **Litigation**

The Fund is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the Fund as of June 30, 2018.

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***INDEPENDENT AUDITOR'S REPORT***

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

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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***

Governing Board and  
Citizens' Bond Oversight Committee  
East Side Union High School District  
San Jose, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the East Side Union High School District's (the District) 2016 Measure Z Fund (the Fund), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated \_\_\_\_\_, 2018.

**Internal Control over Financial Reporting**

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

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Palo Alto, California  
\_\_\_\_\_, 2018

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***SCHEDULE OF FINDINGS***

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**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**2016 MEASURE Z FUND  
FINANCIAL STATEMENT FINDINGS  
JUNE 30, 2018**

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None reported.

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**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**2016 MEASURE Z FUND**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**JUNE 30, 2018**

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None reported.

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**EAST SIDE UNION HIGH SCHOOL DISTRICT**

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**2016 MEASURE Z FUND  
PERFORMANCE AUDIT**

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**FOR THE YEAR ENDED JUNE 30, 2018**



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# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2016 MEASURE Z FUND**

### **TABLE OF CONTENTS**

**JUNE 30, 2018**

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

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## **INDEPENDENT AUDITOR'S REPORT ON PERFORMANCE**

Governing Board and  
Citizens' Bond Oversight Committee  
East Side Union High School District  
San Jose, California

We were engaged to conduct a performance audit of the East Side Union High School District (the District), 2016 Measure Z Fund (the Fund) for the year ended June 30, 2018.

We conducted this performance audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report, which includes determining the Fund's compliance with the performance requirements as referred to in the 2016 Measure Z and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the Fund's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the Fund's internal control in order to determine if the internal controls were adequate to help ensure the Fund's compliance with the requirements referred to in the 2016 Measure Z and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution, but not for the purpose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District expended 2016 Measure Z Funds only for the specific projects approved by the voters in accordance with 2016 Measure Z, and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

Palo Alto, California  
\_\_\_\_\_, 2018

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# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2016 MEASURE Z FUND**

**JUNE 30, 2018**

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### ***AUTHORITY FOR ISSUANCE***

The 2016 Measure Z Bonds (the Measure) are issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law.

The general obligation bonds were authorized by an election of the registered voters of the East Side Union High School District held on November 8, 2016. The authorized issuance amount of the bonds is \$510,000,000. The first series of bonds in the amount of \$72,000,000 were sold on May 31, 2017.

### ***PURPOSE OF ISSUANCE***

The net proceeds of the bonds issued under the authorization will be used for the purposes specified in the measure submitted at the 2016 election, which include upgrading classrooms and science labs, providing safety improvements, repairs, and to construct classrooms/facilities.

Per the Measure, the scope of bond proceeds is "To upgrade/construct science, technology, and engineering classrooms; remove hazardous materials from school grounds; upgrade fire/security systems; and replace deteriorating roofs at Andrew Hill, Calero, Evergreen Valley, Foothill, Independence, James Lick, Mount Pleasant, Oak Grove, Piedmont Hills, Santa Teresa, Silver Creek, Yerba Buena, W.C. Overfelt, alternative, adult and district charter schools."

### ***AUTHORITY FOR THE AUDIT***

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act which amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in Education Code Sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The school district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.
3. Requires the school district to appoint a citizens' oversight committee.
4. Requires the school district to conduct an annual independent financial audit and performance audit in accordance with the Government Auditing Standards issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the school district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

# **EAST SIDE UNION HIGH SCHOOL DISTRICT**

## **2016 MEASURE Z FUND JUNE 30, 2018**

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### ***OBJECTIVES OF THE AUDIT***

1. Determine whether expenditures charged to the Fund have been made in accordance with the bond project list approved by the voters through the approval of the 2016 Measure Z.
2. Determine whether salary transactions charged to the Fund were in support of the 2016 Measure Z and not for District general administration or operations.

### ***SCOPE OF THE AUDIT***

The scope of our performance audit covered the period of July 1, 2017 to June 30, 2018. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2018 were not reviewed or included within the scope of our audit or in this report.

### ***PROCEDURES PERFORMED***

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2018 for the 2016 Measure Z Fund. Within the fiscal year audited, we obtained invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and 2016 Measure Z as to the approved bond projects list. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 2017 and ending June 30, 2018, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
2. Our sample included transactions totaling \$1,599,500. This represents 88 percent of the total expenditures of \$1,813,304.
3. We verified that funds were generally expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects. In addition, we verified that funds held were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

### ***CONCLUSION***

The results of our tests indicated that, in all significant respects, the East Side Union High School District has properly accounted for the expenditures held in the Fund and that such expenditures were made for authorized bond projects. Further, it was noted that funds held in the Fund, and expended by the District, were used for salaries of administrators only to the extent they perform administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

**EAST SIDE UNION HIGH SCHOOL DISTRICT**

**2016 MEASURE Z FUND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2018**

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None reported.

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**Total School Solutions Bond Performance Audit Report**

**ITEM 9**

**For the Fiscal Years 2015-16 and 2016-17**

**Status of Recommendations as of 12/11/18**

#	AREA	PG	PG	RECOMMENDATION	Responsibility	In Process	Under Review	Reviewed, No Action	Completed	Anticipated Completion Date	Completion Date
1	COMPLIANCE WITH DISTRICT POLICIES AND REGULATIONS	4	37	It is recommended that new staff members assigned to perform business functions receive orientation and training in the District's BPs and ARs to ensure understanding and compliance. It is further recommended that all business staff meet periodically to self examine their compliance to the District's BPs and ARs.	All Business Mgrs				1		Annually + New Hire
2	BOND MANAGEMENT PLAN/PROGRAM INCLUDING QUALITY CONTROL	7	51	The District has successfully performed "in-house" all construction administration services, financial recordkeeping, and financial reporting services for all the projects under the bond funded construction program. Recognizing the value of this achievement, it would be worthwhile for the District to consider performing "in-house" the remaining program management services that currently remain with the Program Manager, to save additional money while continuing to provide high-quality service. Remaining program management services include the development and maintenance of master program scopes, schedules and budgets, including cash-flow projections and others. Taking over all program management services from the PM would require the District to hire additional staff with specializations in these areas, if it is determined that those specializations are not currently held by the existing staff.	Facilities/Human Resources				1		10/10/18
3	DESIGN AND CONSTRUCTION SCHEDULES	9	79	It is recommended that a monthly status report covering the Measure Tech-I bond program be prepared and posted on the District's website, Bond Measures webpage. The report should include the status of procurement, installation and upgrading of technology and networking systems equipment, devices, etc. This report would be provide important information on this bond measures and serve as a tool for disseminating information to staff, the community and other stakeholders regarding the status and progress of the capital improvement program funded by the bond measures.	Information Technology & CapPurchasing				1		12/7/18
4	PROCEDURES FOR CLAIMS AVOIDANCE PROCEDURES	11	89	The District should continue to ensure that the comments generated by the constructability and design coordination reviews are incorporated into the design and construction documents. These reviews improve the design team's ability to deliver accurate design and construction documents, thus resulting in reduced changes to scope, preventing delays and fewer opportunities for contractor claims.	Facilities				1		On-going
5	MEASURES EXPENDITURES AND PAYMENT PROCEDURES	13	100	The District needs to more timely hire personnel and review the job classifications of staff to ensure that staff performing the work are doing work in concert with their assigned job descriptions. In addition to performing lower level work, the <u>Capital Budget Manager</u> is currently performing additional responsibilities that are not in her current job description. These additional duties resulted from the restructuring of the job responsibilities of the <u>Assistant Director of Capital Accounting</u> to the <u>Director of Purchasing &amp; Capital Accounting</u> . It is important for the well-being and morale of District staff to timely fill job vacancies and for the District to evaluate job descriptions and responsibilities when a restructuring of positions occurs.	Human Resources & Capital Purchasing		1			TBD	
6	MEASURES EXPENDITURES AND PAYMENT PROCEDURES	13	100	The District should review the costs being paid to SGI and others for specific nontechnical functions (scanning, renaming and uploading files to District server) and evaluate potential cost savings if in-house staff performed these non-technical functions.	Facilities				1		9/24/18
7	MEASURES EXPENDITURES AND PAYMENT PROCEDURES	13	101	The District should research what Construction Project Management software programs are available to provide staff with more tools to better manage construction projects. Currently, the District's Program Manager does not utilize a Construction Project Management software program. A good Construction Project Management system will likely save the District and taxpayers money by improving the scheduling of projects, tracking of costs, and budgeting. The District staff would likely benefit by a better ability to anticipate potential scheduling issues, to view real-time work schedules, and to have better insights on how to save money. Finally, the District would benefit from having improved timing on completion of the construction projects, lower construction costs, and lower escalation costs.	CapPurchasing				1		Board Approved 11/15/2018
8	BEST PRACTICES IN BIDDING AND PROCUREMENT	15	113	For the District to have a better chance of receiving bids that are on par with the engineer's estimates, the current construction market trends should be considered in the determination of the best time to go out to bid. Where possible, bids should be deferred to a later date to allow the market to cool down. However, when this is not possible, a review and adjustment of the engineer's estimate, if necessary, should be done before going out to bid.				1		N/A	
						0	1	1	6		
						0%	13%	13%	75%		

**EAST SIDE UNION HIGH SCHOOL DISTRICT  
Board Audit Committee – December 11, 2018  
Detail of Terms Appointed**

Name	Title	Term(s) Appointed	Current Term Expiration Date	Years of Service
Frank Biehl	Chair	As Appointed Annually	December 7, 2018	
Lan Nguyen	Vice Chair	As Appointed Annually	December 13, 2018	
Dan Juchau	Member	1 <sup>st</sup> term Feb. 2010 – Jan. 2011* 2 <sup>nd</sup> term Feb. 2011 – Jan. 2013 3 <sup>rd</sup> term Feb. 2013 – Jan. 2015 4 <sup>th</sup> term Feb. 2015 – Jan. 2017 5 <sup>th</sup> term Feb. 2017 – Jan. 2019	January 31, 2019	9 thus far and 9 thru term
Bruce Berg	Member	1 <sup>st</sup> term Feb. 2010 – Jan. 2012 2 <sup>nd</sup> term Feb. 2012 – Jan. 2014 3 <sup>rd</sup> term Feb. 2014 – Jan. 2016 4 <sup>th</sup> term Feb. 2016 – Jan. 2018 5 <sup>th</sup> term Feb. 2018 – Jan. 2019*	January 31, 2019	9 thus far and 9 thru term
Jon Reinke	Member	1 <sup>st</sup> term Feb. 2012 – Jan. 2014 2 <sup>nd</sup> term Feb. 2014 – Jan. 2016 3 <sup>rd</sup> term Feb. 2016 – Jan. 2018 4 <sup>th</sup> term Feb. 2018 – Jan. 2020	January 31, 2018	7 thus far and 8 thru term
Rajesh Godbole	Alternate Member	1 <sup>st</sup> term Feb. 2018 – Jan. 2019*	January 31, 2019	1 thus far and 1 thru term

*\*one year term*

Per Audit Committee Charter, revised December 10, 2015:

Public member terms will be for two years. The alternate public member term will be for one year. In order to coincide with the annual presentation of the external audit report to the Board, public member terms shall begin on February 1 and end two years later on January 31 or when the Board appoints a new member, whichever is later. Public member's terms will be staggered so that all terms do not start and end at the same time. Immediately after the initial appointment of the three public members, the Board shall determine by lot which two of the public members shall serve an initial term of two years with the third public member serving an initial term of one year. The maximum number of consecutive years a member may serve is nine. A termed out member is eligible for appointment again after not serving for at least one year.



**ITEM #14B**

## **EAST SIDE UNION HIGH SCHOOL DISTRICT SEEKS AUDIT COMMITTEE APPLICANTS**

The District invites applications from persons interested in serving on the school district's Audit Committee. Applicants must reside within the boundaries of the East Side Union High School District and meet other qualifications set forth in the Audit Committee Charter. The Board of Trustees will be appointing two committee members with a two-year term from February 1, 2019, through January 31, 2021, and one alternate with a one-year term from February 1, 2019, through January 31, 2020. Committee members currently serving in these positions may apply to be reappointed.

Interested community members may apply during the application period by submitting the following:

- An introductory cover letter summarizing why you should be considered for this appointment.
- A completed Audit Committee Membership Application.  
<http://www.esuhsd.org/BoardAdmin/Board-Audit-Committee/index.html>
- The applicant/nominee will be required to provide written responses to the questions listed below:
  1. *Briefly describe any professional or community experience that you believe qualifies you to serve on the Audit Committee. You may attach a current resume.*
  2. *Briefly describe any previous experience/involvement with the East Side Union High School District and/or other public schools.*
  3. *Briefly state why you are interested in serving as a member of the Audit Committee for the East Side Union High School District.*
  4. *Briefly describe your understanding of the role of the Audit Committee.*

Applicants/nominees are invited to review the Audit Committee Charter at:

<http://www.esuhsd.org/BoardAdmin/Board-Audit-Committee/index.html>

### **DEADLINE FOR SUBMISSION OF MATERIALS:**

**8:00 AM, January X, 2019**

**For questions, contact:**

**X Board Trustee, via e-mail at [X@esuhsd.org](mailto:X@esuhsd.org)**

**Send application materials by postal mail, e-mail or personal delivery to:**

ESUHSD Audit Committee  
c/o Mary Guillen  
East Side Union High School District  
830 N. Capitol Avenue, San Jose, CA 95133  
E-Mail: [GuillenM@esuhsd.org](mailto:GuillenM@esuhsd.org)

**EAST SIDE UNION HIGH SCHOOL DISTRICT ("ESUHSD")  
SAN JOSE, CALIFORNIA  
AUDIT COMMITTEE MEMBERSHIP APPLICATION**

First Name \_\_\_\_\_ Last Name \_\_\_\_\_

Home Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

E-Mail Address \_\_\_\_\_ Phone # \_\_\_\_\_

*Instructions: Please respond to the following questions. Attach additional sheets if necessary. All applicants must respond to all questions in the Conflict of Interest Questions portion below and sign and date this application.*

1. Briefly describe any professional or community experience that you believe qualifies you to serve on the Audit Committee. You may attach a current resume.
2. Briefly describe any previous experience/involvement with the East Side Union High School District and/or other public schools.
3. Briefly state why you are interested in serving as a member of the Audit Committee.
4. Briefly describe your understanding of the role of the Audit Committee.

**CONFLICT OF INTEREST QUESTIONS** *(All applicants must respond)*

1. Within the last two years, have you been employed with the ESUHSD? Yes \_\_\_ No \_\_\_

2. Within the last two years, have you sold goods or services to the ESUHSD? Yes \_\_\_ No \_\_\_

If "Yes," please explain: \_\_\_\_\_

3. Within the last two years, have you owned or had a direct and material interest in an entity, or held a leadership position in any entity, which provides goods or services to the ESUHSD pursuant to a purchase order or contract? Yes \_\_\_ No \_\_\_

If "Yes," please explain: \_\_\_\_\_

4. Are you a close or immediate family member of anyone who would be prohibited from serving on the Audit Committee under (1) through (3) above? (Close or immediate family members include parents, siblings, nondependent child, spouse or domestic partner, or dependent (whether or not related). Yes \_\_\_ No \_\_\_

The above responses to the Conflict of Interest Questions are true and correct.

Signed: \_\_\_\_\_ Dated: \_\_\_\_\_

*The Governing Board may grant an exception to a potential conflict of interest, if, after full disclosure to the Board, the potential conflict is found not to be material.*

Applicants should review the Audit Committee Charter, a copy of which is available at the District's Education Center or online at:

<http://www.esuhsd.org/BoardAdmin/Board-Audit-Committee/index.html>