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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FINANCIAL SECTION

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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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the 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 December 12, 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.

Vavrinek, Trine, Day & Co., LLP

Palo Alto, California
December 12, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018

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.

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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.

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^{th} through 12^{th} 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.

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	-	-
Total Assets	**1,116,992,898**	**1,111,787,836**	**28,237**	**53,635**
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
Total Deferred Outflows	**99,224,091**	**72,347,138**	**3,942,484**	**1,372,742**
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
Total Liabilities	**1,321,929,146**	**1,305,683,075**	**8,458,099**	**5,115,863**
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
Total Deferred Inflows	**36,015,272**	**30,774,926**	**270,346**	**127,261**
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)
Total Net Position	**$ (141,727,429)**	**$ (152,323,027)**	**$ (4,757,724)**	**$ (3,816,747)**

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

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 ***
Revenues				
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
Total Revenues	**381,990,990**	**347,715,440**	**7,105,242**	**7,129,048**
Expenses				
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	-	-
Total Expenses	**370,384,380**	**350,651,964**	**8,046,219**	**7,176,714**
Change in Net Position	**$ 11,606,610**	**$ (2,936,524)**	**$ (940,977)**	**$ (47,666)**

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.

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

	2018	2017
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
Totals	**$ 323,493,929**	**$ 310,089,410**

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.

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	Governmental Activities 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
Totals	**$ 742,923,393**	**$ 690,569,210**

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

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

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	Governmental Activities 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
Totals	**$ 951,990,151**	**$ 972,189,811**

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).

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	$ 278,652,883	$ 95,749,987	$ 31,512,492	$ 34,401,072

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 10th 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 11th graders the following year. Depending on the results, 11th 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.

The California Assessments of Student Performance and Progress (CAASPP) are given each year in both English Language Arts/Literacy (ELA/Literacy) and Mathematics to 11th graders. In 2017-18, 61% of 11th 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 11th 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.

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
ASSETS			
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
Total Assets	1,116,992,898	28,237	1,117,021,135
DEFERRED OUTFLOWS OF RESOURCES			
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
Total Deferred Outflows of Resources	99,224,091	3,942,484	103,166,575
LIABILITIES			
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
Total Liabilities	1,321,929,146	8,458,099	1,330,387,245
DEFERRED INFLOWS OF RESOURCES			
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
Total Deferred Inflows of Resources	36,015,272	270,346	36,285,618
NET POSITION			
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)
Total Net Position	$ (141,727,429)	$ (4,757,724)	$ (146,485,153)

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	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental Activities:				
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	-
Total Governmental Activities	370,384,380	151,566	42,285,098	4,453,787
Business-Type Activities:				
Food services	7,758,518	1,378,256	4,496,638	-
Administration	287,701	58,162	189,759	-
Total Business-Type Activities	8,046,219	1,436,418	4,686,397	-
Total Primary Government	$ 378,430,599	$ 1,587,984	$ 46,971,495	$ 4,453,787

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
ASSETS		
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	-
Total Assets	$ 70,901,441	$ 182,102,656
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	$ 20,217,617	$ 10,736,081
Due to other funds	-	-
Unearned revenue	7,248,536	-
Total Liabilities	27,466,153	10,736,081
Deferred Inflow of Resources:	-	-
Fund Balances:		
Nonspendable	186,437	332,021
Restricted	4,535,195	171,034,554
Committed	-	-
Unassigned	38,713,656	-
Total Fund Balances	43,435,288	171,366,575
Total Liabilities and Fund Balances	$ 70,901,441	$ 182,102,656

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

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
$ 79,285,603	$ 31,324,535	$ 349,697,850
197,126	1,259,491	10,538,401
-	-	4,318,643
-	-	332,021
-	-	183,937
$ 79,482,729	$ 32,584,026	$ 365,070,852
$ -	$ 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
79,482,729	27,555,430	321,840,022
$ 79,482,729	$ 32,584,026	$ 365,070,852

EAST SIDE UNION HIGH SCHOOL DISTRICT

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

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance - Governmental Funds		**$ 321,840,022**
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	(271,161,807)	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	(270,987,814)	(1,262,189,743)
Total Net Position - Governmental Activities		**$ (141,727,429)**

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

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

	General Fund	Building Fund
REVENUES		
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
Total Revenues	272,296,205	3,145,412
EXPENDITURES		
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	-
Total Expenditures	275,405,364	79,519,741
Excess (Deficiency) of Revenues Over Expenditures	(3,109,159)	(76,374,329)
Other Financing Sources (Uses)		
Transfers in	-	-
Proceeds from sale of bonds	340,500	20,000,000
Transfers out	(1,794,094)	-
Net Financing Sources (Uses)	(1,453,594)	20,000,000
NET CHANGE IN FUND BALANCES	(4,562,753)	(56,374,329)
Fund Balance - Beginning	47,998,041	227,740,904
Fund Balance - Ending	$ 43,435,288	$ 171,366,575

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

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
$ -	$ -	$ 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	(27,548,172)	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 constitue 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	3,386,500	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

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 $116,202.	116,202
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the statement of activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.	(10,446,032)
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the statement of activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows and net OEPB liability during the year.	(1,498,158)
An internal service fund is used by the District's management to charge the costs of the health and dental insurance program to the individual funds. The net gain of the internal service fund is reported with the government-wide activities.	(3,483,620)
Change in Net Position - Governmental Activities	**$ 11,606,610**

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
ASSETS			
Current Assets			
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
Total Current Assets	3,380,087	9,965,446	13,345,533
LIABILITIES			
Current Liabilities			
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
Total Current Liabilities	3,380,087	1,089,242	4,469,329
NET POSITION			
Restricted for insurance programs	-	8,876,204	8,876,204
Total Net Position	$ -	$ 8,876,204	$ 8,876,204

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

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
OPERATING REVENUES			
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
Total Operating Revenues	1,440,256	11,801,500	13,241,756
OPERATING EXPENSES			
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
Total Operating Expenses	7,105,242	15,385,120	22,490,362
Operating Loss	(5,664,986)	(3,583,620)	(9,248,606)
NONOPERATING REVENUES			
Federal grants	4,358,781	-	4,358,781
State grants	323,778	-	323,778
Other transfer in	982,427	100,000	1,082,427
Total Nonoperating Revenues	5,664,986	100,000	5,764,986
Change in net position	-	(3,483,620)	(3,483,620)
Total Net Position - Beginning	-	12,359,824	12,359,824
Total Net Position - Ending	$ -	$ 8,876,204	$ 8,876,204

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

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

	Business-Type Activities-Enterprise Fund	Governmental Activities-Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
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	(5,568,423)	(4,415,085)
CASH FLOWS FROM FINANCING ACTIVITIES		
Operating grants and contributions	4,682,559	-
Cash received from general fund	1,273,675	100,000
Net Cash Provided by Financing Activities	5,956,234	100,000
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	$ 2,651,679	$ 8,873,820
RECONCILIATION OF OPERATING LOSS		
TO NET CASH USED FOR OPERATING ACTIVITIES		
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)
NET CASH USED FOR OPERATING ACTIVITIES	$ (5,568,423)	$ (4,415,085)

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

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

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

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

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

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

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.

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 lA), 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).

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.

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.

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.

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.

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.

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.

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.

lnterfund 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.

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 1st. Taxes are payable in two installments on November 1st and February 1st and become delinquent on December 10th and April 10th, respectively. Unsecured property taxes are payable in one installment on or before August 31st. 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;

- 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.

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.

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	$ 363,884,427

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	$ 363,884,427

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

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	$ 360,824,243	

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.

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:

		Fair Value Measurements Using			
Investment Type	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Uncategorized
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	$ 360,824,243	$ 1,157,236	$ -	$ -	$ 359,667,007

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

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	$ 8,275,523	$ 806,261	$ 197,126	$ 1,259,491

	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	$ 10,538,401	$ 610,457

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
Governmental Activities				
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:

Governmental Activities	
Instruction	$ 18,113,079
Supervision of instruction	1,860,605
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

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	$ 4,318,643

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

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
	$ 1,794,094

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.

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

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	$ 7,248,536	$ 3,013,824	$ 10,262,360

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	$ 972,189,811	$ 24,075,052	$ 44,274,712	$ 951,990,151	$ 59,849,451

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
Current Interest Bonds							
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
Capital Appreciation Bonds							
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

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

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	$ 28,860,000	$ 17,955,266	$ 46,815,266

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	$ 238,350	$ 37,924	$ 276,274

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	$ (246,457,359)

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
Nonspendable					
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
Restricted					
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
Committed					
Adult education program	-	-	-	102,304	102,304
Deferred maintenance	-	-	-	5,487	5,487
Total Committed	-	-	-	107,791	107,791
Unassigned					
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
Total	$ 43,435,288	$ 171,366,575	$ 79,482,729	$ 27,555,430	$ 321,840,022

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

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	$ 39,976,571	$ -	$ 4,713,033	$ 2,888,714

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	2,145

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.

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 reduction. 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.

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (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

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	$ 4,713,033

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
	$ 4,713,033

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 publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

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

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

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.

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

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	$	335,654,037

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 measurment 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	$ 74,922,406	$ 29,983,924

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	$ 5,616,643

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 (EARSL) of all members and are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

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	$ 32,629,017

Actuarial Methods and Assumptions

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

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

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

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

Asset Class	Assumed Asset Allocation	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

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)	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a 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%

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	$ 20,827,581	$ 1,528,568

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	$ 2,344,061

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	$ 11,834,370

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

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

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.

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	$ (153,334,039)	$ (3,816,747)	$ (157,150,786)

REQUIRED SUPPLEMENTARY INFORMATION

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
REVENUES				
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
Total Revenues	262,971,451	269,804,857	272,175,509	2,370,652
EXPENDITURES				
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)
Total Expenditures	277,764,718	277,552,999	275,405,364	2,147,635
Excess of Expenditures Over Revenues	(14,793,267)	(7,748,142)	(3,229,855)	4,518,287
Other Financing Uses				
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)
Net Financing Uses	(1,019,626)	9,993,478	(1,294,558)	(11,288,036)
NET DECREASE IN FUND BALANCE	(15,812,893)	2,245,336	(4,524,413)	(6,769,749)
Fund Balance - Beginning	39,653,933	39,653,933	39,653,933	-
Fund Balance - Ending	$ 23,841,040	$ 41,899,269	35,129,520	$ (6,769,749)
Special Reserve - Other Than Capital Outlay Projects			8,305,768	
Fund Balance - Ending - GAAP			$ 43,435,288	

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 [1]
District's proportionate share of the net OPEB liability as a percentage of it's covered-employee payroll	N/A [1]
Plan fiduciary net position as a percentage of the total OPEB liability	0.01%

[1] 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
CalSTRS		
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%
CalPERS		
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.

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

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
CalSTRS		
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%
CalPERS		
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.

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

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	[1]		$ 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 [2]	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	[1]		559,005
Total Expenditures of Federal Awards				$16,837,866

[1] These grants are direct grants. Pass-Through entity identifying numbers are not available.
[2] Not recorded in the financial statements.

See accompanying note to supplementary information.

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

MEMBER	OFFICE	TERM EXPIRES
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

	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	22,080.95	21,977.34

See accompanying note to supplementary information.

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

Grade Level	1986-87 Minutes Requirement	2017-18 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
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

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	$ 43,435,288	$ -	$ 8,876,204

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 [1]	Actual 2018	Actual 2017	Actual 2016
GENERAL FUND [3]				
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 [2]	$ 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.

[1] Adopted Budget 2019 is included for analytical purposes only and has not been subjected to an audit.

[2] 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.

[3] 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.

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

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.

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

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

See accompanying note to supplementary information.

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

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
REVENUES		
Federal sources	$ 737,705	$ 646,150
Other State sources	6,798,559	1,285,131
Other local sources	127,347	352,498
Total Revenues	7,663,611	2,283,779
EXPENDITURES		
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	-
Total Expenditures	8,145,491	2,995,446
Excess (Deficiency) of Revenues Over Expenditures	(481,880)	(711,667)
Other Financing Sources		
Transfers in	-	711,667
Net Financing Sources	-	711,667
NET CHANGE IN FUND BALANCES	(481,880)	-
Fund Balance - Beginning	1,107,665	-
Fund Balance - Ending	$ 625,785	$ -

See accompanying note to supplementary information.

Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
$ -	$ -	$ -	$ -	$ 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

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		$ 16,837,866

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.

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

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

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

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 December 12, 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.

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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.

Vavrinek, Trine, Day & Co., LLP

Palo Alto, California
December 12, 2018

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

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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.

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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.

Vavrinek, Trine, Day & Co., LLP

Palo Alto, California
December 12, 2018

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.

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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
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
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
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
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
CHARTER SCHOOLS	
Attendance	No, see below
Mode of Instruction	No, see below
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	No, see below
Charter School Facility Grant Program	No, see below

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.

Vavrinek, Trine, Day & Co., LLP

Palo Alto, California
December 12, 2018

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

EAST SIDE UNION HIGH SCHOOL DISTRICT

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

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

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

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	Yes
STATE AWARDS	
Type of auditor's report issued on compliance for all applicable programs:	Unmodified

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

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

None reported.

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

None reported.

EAST SIDE UNION HIGH SCHOOL DISTRICT

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

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