EAST SIDE UNION
HIGH SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
JUNE 30, 2016

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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 (the District) as of and for the year ended June 30, 2016, 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 2015-2016 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.

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

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the East Side Union High School District, as of June 30, 2016, 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 to the financial statements, in 2016, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application;* GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68;* GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments;* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 9, 2016, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Side Union High School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Palo Alto, California
December 9, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

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, 2016. Please read it in conjunction with the District's financial statements, which immediately follows 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 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.

830 N. Capitol Ave. | San Jose, CA 95133 | T 408.347.5000 | F 408.347.5015 | esuhsd.org

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

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

- The enrollment reported in the California Basic Educational Data System (CBEDS) decreased by 448 from 2014-15 of 23,685 to 23,237 in 2015-16. Second period average daily attendance (commonly known as P-2 ADA) decreased by 408 from 2014-15 of 22,479 to 22,072 in 2015-16; however, the County Special Education program increased 20 ADA.
- The net Local Control Funding Formula (LCFF) ADA base is $8,578 and supplemental per ADA is $943 with 53.5% 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 $11.9 million.
- The District also received the California Career Pathway Grant of $5.8 million.
- The District had fully restored the class sizes in 2015-16 back to the same level before the cuts in 2009-10.
- The District provided all employees with a 4.25% salary increase and still covers 100% medical benefit.
- The District monitors the budget conservatively and has a $40 million unassigned general fund balance that includes $2 million for the supplemental program balance. The District also has $3.4 million restricted fund balance for various restricted categorical programs and $7.8 million in General Reserve for the State required 3% minimum for economic uncertainties.
- 2015-16 was the first year that the District partnering with Educare of California at Silicon Valley to receive supplemental funding from First 5 California through First 5 Santa Clara County to support the infant/toddler programs at the Educare site.

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 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 9th through 12th 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 $86.7 million deficit and $106.6 million deficit for the fiscal years ended June 30, 2016 and 2015, 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	
	2016	**2015**	**2016**	**2015**
Current and other assets	$ 306,912,483	$ 326,188,154	$ 26,702	$ 41,814
Prepaids for other post-employment benefits (OPEB)	24,606,664	24,593,565	-	-
Capital assets	646,949,790	620,225,004	-	-
Total Assets	**978,468,937**	**971,006,723**	**26,702**	**41,814**
Deferred charge on refunding	13,786,393	4,289,091	-	-
Deferred outflows from pension	40,042,332	13,365,308	-	-
Total Deferred Outflows	**53,828,725**	**17,654,399**	**-**	**-**
Current liabilities	39,009,331	31,367,343	26,702	41,814
Long-term obligations	840,351,961	852,474,661	-	-
Aggregate net pension liability	217,168,630	164,545,903	-	-
Total Liabilities	**1,096,529,922**	**1,048,387,907**	**26,702**	**41,814**
Deferred inflows from pension	23,459,914	46,854,420	-	-
Total Deferred Intflows	**23,459,914**	**46,854,420**	**-**	**-**
Net position				
Net investment in capital assets	(6,314,198)	(3,740,598)	-	-
Restricted	78,624,885	65,784,167	-	-
Unrestricted	(160,002,861)	(168,624,774)	-	-
Total Net Position	**$ (87,692,174)**	**$ (106,581,205)**	**$ -**	**$ -**

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	
	2016	**2015**	**2016**	**2015**
Revenues				
Program revenues				
Charges for services	$ 143,032	$ 178,157	$ 1,451,410	$ 1,393,671
Operating grants and contributions	39,836,701	24,875,282	5,404,903	4,597,716
Capital grants and contributions	3,674,672	56,181	-	-
General revenues				
State and federal sources	132,111,785	109,867,950	-	-
Taxes	159,666,317	143,209,505	-	-
Other general revenues	10,769,185	17,139,179	82,873	473,282
Total Revenues	**346,201,692**	**295,326,254**	**6,939,186**	**6,464,669**
Expenses				
Instruction related	209,551,946	192,846,184	-	-
Student support services	35,775,109	31,500,462	-	-
Administration	12,212,775	14,064,200	337,291	348,036
Maintenance and operations	25,866,433	21,681,046	-	-
Other outgo	6,285,468	4,461,863	-	-
Food services	-	-	6,601,895	6,116,633
Interest and other	37,620,930	35,586,492	-	-
Total Expenses	**327,312,661**	**300,140,247**	**6,939,186**	**6,464,669**
Change in Net Position	**$ 18,889,031**	**$ (4,813,993)**	**$ -**	**$ -**

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 $327.3 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only $159.7 million because the cost was paid by those who benefited from the programs ($0.1 million) or by other governments and organizations who subsidized certain programs with operating and capital grants and contributions ($43.5 million). We paid for the remaining public benefit portion of our governmental activities with $142.9 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

	2016	2015
Instruction and related activities	$ 171,219,075	$ 168,933,960
Pupil services	32,472,915	31,431,150
General administration	10,922,531	13,193,360
Maintenance and operations	25,369,938	21,629,628
Interest	34,750,706	32,561,555
Other	8,923,091	7,280,974
Totals	**$ 283,658,256**	**$ 275,030,627**

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $270.2 million, which was a decrease of $29.8 million from last year. The significant decrease in the combined fund balance was due to the decrease 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 2016. (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 74).

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 $8,578 and supplemental per ADA is $943 with 53.5% 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) decreased by 448 from 2014-15 of 23,685 to 23,237 in 2015-16. Second period average daily attendance (commonly known as P-2 ADA) decreased by 408 from 2014-15 of 22,479 to 22,072 in 2015-16.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District governmental activities had $646.9 million in a broad range of capital assets. This amount represents a net increase (including additions, deductions and depreciation) of $26.7 million, or 4.3%, from last year.

Table 4

	Governmental Activities	
	2016	**2015**
Land	$ 25,442,454	$ 25,442,454
Construction in progress	58,581,828	23,930,223
Buildings and improvements	757,788,020	743,488,150
Furniture and equipment	33,980,875	32,310,705
Total Assets	875,793,177	825,171,532
Less Accumulated Depreciation	228,843,387	204,946,528
Totals	**$ 646,949,790**	**$ 620,225,004**

Several capital projects are planned for the 2016-17 and 2017-18 fiscal years. We anticipate capital expenditures to be approximately $220 million for the two upcoming fiscal years.

Major projects completed for fiscal year 2015-16:

- Andrew Hill High School – Baseball Foul Ball Net
- Andrew Hill High School – Weight Room and Drama Room
- Evergreen Valley High School – 12 Portable Classrooms Refurbishing
- Evergreen Valley High School – Parking Speed Hump
- Independence High School – Performing Arts Building F
- Independence High School – Building B Modernization
- Independence High School – Streetscape, Infrastructure, Wayfinding Modernization
- Independence High School – Building L Modernization
- Independence High School – Portable Village
- James Lick High School – Classroom Modernization
- Oak Grove High School – Building U Classroom Modernization
- Oak Grove High School – Building I Theater Modernization
- Oak Grove High School – Alternative Education Mini Campus Improvements
- Yerba Buena High School – College Connection Academy (CCA) New Portable Buildings
- District Wide – Energy Efficiency Upgrades
- District Wide – Security Camera Phase I

The following Measures G, E and I projects are planned for fiscal year 2016-17:

- Andrew Hill High School – Courtyards, Site and Infrastructure Improvements
- Andrew Hill High School – Windows Replacement in Building F (Gym)
- Foothill High School – Building D Computer Lab Modernization
- Foothill High School – Building F Hooper Hall Modernization
- Foothill High School – Quad Upgrade and Infrastructure Improvements
- Evergreen Valley High School – Science Lab and Prep Room Upgrade
- Evergreen Valley High School – Restrooms Renovation
- Evergreen Valley High School – Fire Dampers Upgrade
- Evergreen Valley High School – Energy Management System Upgrade
- Independence High School – Stadium Scoreboard System Replacement
- Independence High School – Pole Vault Replacement Pad
- Independence High School – Alternative Education Facility Upgrades Including Buildings GHK and J
- 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
- Phoenix High School – New Science Classroom/Restroom Building T-100 and Courtyard
- Santa Teresa High School – Upgrades in Multipurpose Building 1300
- Santa Teresa High School – Upgrade Theater Building 600
- 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 – Infrastructure Improvements
- Santa Teresa High School – New Field Concession Building 2300
- 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 rename the building to L Building
- Yerba Buena High School – Replacement of Field Concession Building
- Yerba Buena High School – Theater Building 500 Eaves Repair
- District Wide – Tree Trimming
- District Wide – Doors Replacement
- District Wide – Security Camera Upgrade: Phase, 2, 3 and 4
- District Wide – Swimming Pools Modernizations

The following Measures G, E and I projects are planned for fiscal year 2017-18:

- James Lick High School – New Student Center and Quad Modernization
- Piedmont Hills High School – New Classroom Buildings D1/D2
- W.C. Overfelt High School – New Music/Art and Administration Building and Quad Modernization
- Yerba Buena High School – New Student Center and Quad Modernization
- Yerba Buena High School – Infrastructure Upgrade
- District Wide – Roofing Replacements
- District Wide – Fire Alarm Modernization
- District Wide – Mechanical, Electrical

Long-Term Obligations Other Than Pension Liability

Table 5

	Governmental Activities	
	2016	**2015**
General obligation bonds	$ 756,524,725	$ 776,168,135
Premium	51,038,107	41,978,937
OPEB revenue bonds	29,955,000	30,405,000
Supplemental retirement plan	-	1,076,485
Compensated absences (vacation)	2,834,129	2,846,104
Totals	**$ 840,351,961**	**$ 852,474,661**

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 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of $840.4 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 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, 2016. 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	$ 174,993,327	$ 31,361,683	$ 17,188,979	$ 17,508,395
CalPERS	42,175,303	8,680,649	6,270,935	3,323,167
Total	**$ 217,168,630**	**$ 40,042,332**	**$ 23,459,914**	**$ 20,831,562**

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2015-2016 ARE NOTED BELOW:

2015-16 is the first year for the District to implement 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 2016-17 LCAP report.

Data is common to the Key Performance Measures (KPMs) specified in the District Strategic Plan. The District uses the 2014-15 graduation rates as an LCAP benchmark, LCAP goals and the District KPMs. Over the last several years, the District has seen an increase in graduation rates. The District wide graduation rate of 83% for 2014-15 was 2.2% higher than the average State rate of 80.8%. Also, dropout rates decreased. The dropout rate for the District was 11.7% in 2014-15 compared with 12.1% in 2013-14. Lastly, the District had an increase in the percent of graduates completing the University of California/California State University A-G college course sequence. The District wide rate was 43.1% in 2014-15 compared with 42.2% in 2013-14.

The District encourages all students enrolled in the advanced placement (AP) courses to take the college credit exam. Correlation between college enrollment and exams taken in AP is very high. For 2015-16, a total of 10,353 AP exams were taken and there were a total of 5,392 students who took the exams. This is an increase of 422 exams and 249 students. Using grades 10 to 12 CBEDS enrollment, 30.8% of students took at least one AP exam and of those students, 65.4% scored a 3 out of 5 or higher on at least one exam.

The District waives fees to encourage 10^{th} grade students to take the Preliminary Scholastic Aptitude Test (PSAT) which prepares 11^{th} graders the following year for the Scholastic Aptitude Test (SAT). Depending on the results, 11^{th} grade students who take the PSAT would qualify for college scholarships through the National Merit Scholarship Program. In 2015-16, 94% of 10^{th} grade students took the PSAT and 35% met the college readiness indicator.

51.2% of the District's students scored college ready on the SAT in 2014-15, which is 6.9% higher than the State.

The New California Assess of Student Performance and Progress (CAASPP) test for both 2015 and 2016 District Math Standards either met or exceeded the State minimum rates; the District's 2015 and 2016 rates were 39% and 40%, respectively, and were higher than the State rates of 29% and 33%, respectively. The District English Language Arts (ELA)/Literacy rates were 60% and 63% respectively, and higher than the State rates of 56% and 59%.

James Lick High School is a New Tech School and just completed its second year of implementation in 2015-16. Being part of the New Tech Network means that the school has incorporated Project Based Learning in every classroom. Students learn through developing solutions to real world problems. Central to this new student centered learning environment is the culture defining pillars of: Agency, Communication, Collaboration, and Growth Mindset. At the same time, students are focused on gaining content and skills and they are also able to learn how to identify problems and ask questions (Agency), communicate both orally and written in order to reach a larger audience and to demonstrate their learning (Communication), work in dynamic self-driven small teams that identify specific tasks in order to create a project that solves a real world problem (Collaboration) and the students incorporate self-assessment and goal setting in order to embody a mindset of constant improvement (Growth Mindset).

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

- Presented an evolution/ecology museum showcase at the Children's Discovery Museum and at the San Jose Museum of Modern Art

- Created, published, and presented a children's book to the local elementary schools that used science principals to teach a lesson about acceptance

- Presented a mathematical solution to the school board for creating a new weight room for James Lick High School. The new weight room will be completed by February 2017

- Created a community supported Dia De Los Muertos festival that showcases the students' varied cultures and backgrounds. Over 300 community members come to campus to celebrate this event with the James Lick High School students

- Developed an interactive historical wall that connects the rich history of James Lick High School with each student's potential to create their own history (wall to be completed in April 2017)

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 funding gap for 2016-17 is 54.8% with the unduplicated count percentage at 52.9%. The District student enrollment is projected to increase by 73 for 2016-17, but anticipates a downturn in 2017-18 and 2018-19. The projected 2016-2017 and 2017-2018 CBEDS enrollment is 23,310 and 23,157, respectively.

The District projects to receive another one time discretionary grant in lieu of the Mandated Cost Reimbursement of $5.3 million in 2016-17.

The State will fund the new College Readiness Block Grant with a preliminary rate of $149.32 per unduplicated pupil count (UPC). The District will receive about $1.8 million in 2016-17.

The District will receive a $3.3 million new Career Technical Education Incentive Grant in 2016-17.

The District presented a general obligation bond ballot, Measure Z, in the November 2016 election which passed and will allow the District to improve all East Side Union High School District schools including the Adult Education Centers and the fiscally independent charter schools.

In late May 2016, the District was approved by the Department of Homeland Security to accept F1 visas for international students from outside of the United States of America. The District received over 120 interested student applicants from the promotional campaign for 2016-17. Because the District received the approval in late May 2016, only nine international students were enrolled for 2016-17. The District is launching a series of promotional campaigns and estimates to enroll between 25 to 50 students for 2017-18.

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, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Deposits and investments	$ 291,652,811	$ 1,674,129	$ 293,326,940
Receivables	10,457,468	652,139	11,109,607
Internal balances	2,380,384	(2,380,384)	-
Prepaid expenses	2,119,422	-	2,119,422
Stores inventories	199,980	80,818	280,798
Other current assets	102,418	-	102,418
Post-employment benefits contributions	24,606,664	-	24,606,664
Capital assets not depreciated	84,024,282	-	84,024,282
Capital assets, net of accumulated depreciation	562,925,508	-	562,925,508
Total Assets	978,468,937	26,702	978,495,639
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	13,786,393	-	13,786,393
Deferred outflows of resources related to pensions	40,042,332	-	40,042,332
Total Deferred Outflows of Resources	53,828,725	-	53,828,725
LIABILITIES			
Accounts payable	21,776,127	26,702	21,802,829
Interest payable	12,243,433	-	12,243,433
Unearned revenue	3,426,857	-	3,426,857
Claims liabilities	1,562,914	-	1,562,914
Current portion of long-term obligations other than pensions	37,913,015	-	37,913,015
Noncurrent portion of long-term obligations other than pensions	802,438,946	-	802,438,946
Aggregate net pension liability	217,168,630	-	217,168,630
Total Liabilities	1,096,529,922	26,702	1,096,556,624
DEFEREED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	23,459,914	-	23,459,914
Total Deferred Inflows of Resources	23,459,914	-	23,459,914
NET POSITION			
Net investment in capital assets	(6,314,198)	-	(6,314,198)
Restricted for:			
Debt service	40,680,331	-	40,680,331
Capital projects	23,854,146	-	23,854,146
Educational programs	4,101,098	-	4,101,098
Self insurance	9,989,310	-	9,989,310
Unrestricted (Note 11)	(160,002,861)	-	(160,002,861)
Total Net Position	$ (87,692,174)	$ -	$ (87,692,174)

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

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EAST SIDE UNION HIGH SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Governmental Activities:				
Instruction	$ 173,134,568	$ 109,510	$ 23,286,436	$ 3,674,672
Instruction-related activities:				
Supervision of instruction	17,579,407	14,878	8,073,044	-
Instructional library and technology	1,052,646	-	72,281	-
School site administration	17,785,325	1,015	3,101,035	-
Pupil services:				
Home-to-school transportation	7,525,323	-	-	-
All other pupil services	28,249,786	14,300	3,287,894	-
Administration:				
Data processing	3,365,202	-	70	-
All other administration	8,847,573	523	1,289,651	-
Maintenance and operations	25,866,433	805	495,690	-
Ancillary services	2,836,718	63	62,815	-
Community services	33,506	576	29,041	-
Interest on long-term obligations	34,750,706	-	-	-
Other outgo	6,285,468	1,362	138,744	-
Total Governmental Activities	327,312,661	143,032	39,836,701	3,674,672
Business-Type Activities:				
Food services	6,601,895	1,380,863	5,142,188	-
Administration	337,291	70,547	262,715	-
Total Business-Type Activities	6,939,186	1,451,410	5,404,903	-
Total Primary Government	$ 334,251,847	$ 1,594,442	$ 45,241,604	$ 3,674,672

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

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
$(146,063,950)	$ -	$(146,063,950)
(9,491,485)	-	(9,491,485)
(980,365)	-	(980,365)
(14,683,275)	-	(14,683,275)
(7,525,323)	-	(7,525,323)
(24,947,592)	-	(24,947,592)
(3,365,132)	-	(3,365,132)
(7,557,399)	-	(7,557,399)
(25,369,938)	-	(25,369,938)
(2,773,840)	-	(2,773,840)
(3,889)	-	(3,889)
(34,750,706)	-	(34,750,706)
(6,145,362)	-	(6,145,362)
(283,658,256)	-	(283,658,256)
-	(78,844)	(78,844)
-	(4,029)	(4,029)
-	(82,873)	(82,873)
(283,658,256)	(82,873)	(283,741,129)
98,575,268	-	98,575,268
59,925,266	-	59,925,266
1,165,783	-	1,165,783
132,111,785	-	132,111,785
1,790,252	-	1,790,252
401,286	-	401,286
(82,873)	82,873	-
8,660,520	-	8,660,520
302,547,287	82,873	302,630,160
18,889,031	-	18,889,031
(106,581,205)	-	(106,581,205)
$ (87,692,174)	$ -	$ (87,692,174)

EAST SIDE UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016

	General Fund	Building Fund	Bond Interest and Redemption Fund
ASSETS			
Deposits and investments	$ 55,699,501	$ 147,864,842	$ 52,865,568
Receivables	9,197,191	322,492	58,196
Due from other funds	3,222,177	-	-
Prepaid expenditures	10,353	331,380	-
Stores inventories	199,980	-	-
Total Assets	$ 68,329,202	$ 148,518,714	$ 52,923,764
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 13,121,645	$ 8,006,263	$ -
Due to other funds	-	-	-
Unearned revenue	3,333,080	-	-
Total Liabilities	16,454,725	8,006,263	-
Fund Balances:			
Nonspendable	212,833	331,380	-
Restricted	3,440,663	140,181,071	52,923,764
Committed	-	-	-
Assigned	-	-	-
Unassigned	48,220,981	-	-
Total Fund Balances	51,874,477	140,512,451	52,923,764
Total Liabilities and Fund Balances	$ 68,329,202	$ 148,518,714	$ 52,923,764

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

Non-Major Governmental Funds	Total Governmental Funds
$ 25,523,031	$ 281,952,942
879,589	10,457,468
-	3,222,177
-	341,733
-	199,980
$ 26,402,620	$ 296,174,300
$ 620,467	$ 21,748,375
841,793	841,793
93,777	3,426,857
1,556,037	26,017,025
-	544,213
24,514,581	221,060,079
330,427	330,427
1,575	1,575
-	48,220,981
24,846,583	270,157,275
$ 26,402,620	$ 296,174,300

EAST SIDE UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance - Governmental Funds		**$ 270,157,275**
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	$ 875,793,177	
Accumulated depreciation is	(228,843,387)	646,949,790
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.		13,786,393
Deferred inflows and ourflows related to pension liability are not due in the current period and therefore are not reported on the governmental funds.		16,582,418
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.		(12,243,433)
Excess contributions over the annual required contribution (ARC) to the other post-employment benefit trust are recognized as prepaid in the government-wide statements. In the governmental funds, the contributions are treated as expenditures.		24,606,664
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.		9,989,310
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	(756,524,725)	
Premium	(51,038,107)	
OPEB revenue bonds	(29,955,000)	
Compensated absences (vacation)	(2,834,129)	
Net pension liability	(217,168,630)	(1,057,520,591)
Total Net Position - Governmental Activities		**$ (87,692,174)**

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

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EAST SIDE UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Building Fund	Bond Interest and Redemption Fund
REVENUES			
Local control funding formula	$ 213,468,854	$ -	$ -
Federal sources	12,116,667	-	-
Other State sources	32,032,677	4,235	418,909
Other local sources	9,579,462	1,213,897	59,683,886
Total Revenues	267,197,660	1,218,132	60,102,795
EXPENDITURES			
Current			
Instruction	150,140,187	-	-
Instruction-related activities:			
Supervision of instruction	15,200,426	-	-
Instructional library and technology	902,113	-	-
School site administration	13,398,608	-	-
Pupil services:			
Home-to-school transportation	6,782,519	-	-
All other pupil services	25,179,068	-	-
Administration:			
Data processing	3,007,958	-	-
All other administration	9,150,161	-	-
Maintenance and operations	19,346,666	-	-
Facility acquisition and construction	3,292,468	50,598,060	-
Ancillary services	2,550,660	-	-
Community services	30,418	-	-
Other outgo	5,837,796	-	-
Debt service			
Principal	450,000	-	22,793,043
Interest and other	1,612,303	-	31,506,266
Total Expenditures	256,881,351	50,598,060	54,299,309
Excess (Deficiency) of Revenues Over Expenditures	10,316,309	(49,379,928)	5,803,486
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(297,672)	-	-
Net Financing Sources (Uses)	(297,672)	-	-
NET CHANGE IN FUND BALANCES	10,018,637	(49,379,928)	5,803,486
Fund Balance - Beginning	41,855,840	189,892,379	47,120,278
Fund Balance - Ending	$ 51,874,477	$ 140,512,451	$ 52,923,764

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

Non-Major Governmental Funds	Total Governmental Funds
$ -	$ 213,468,854
1,360,862	13,477,529
11,570,877	44,026,698
2,839,933	73,317,178
15,771,672	344,290,259
5,549,115	155,689,302
530,917	15,731,343
38,083	940,196
2,496,631	15,895,239
-	6,782,519
90,412	25,269,480
-	3,007,958
330,896	9,481,057
540,167	19,886,833
2,492,667	56,383,195
-	2,550,660
-	30,418
-	5,837,796
-	23,243,043
-	33,118,569
12,068,888	373,847,608
3,702,784	(29,557,349)
100,214	100,214
-	(297,672)
100,214	(197,458)
3,802,998	(29,754,807)
21,043,585	299,912,082
$ 24,846,583	$ 270,157,275

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, 2016

Total Net Change in Fund Balances - Governmental Funds		**$ (29,754,807)**
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	$ 50,621,645	
Depreciation expense	(23,896,859)	26,724,786
Proceeds received from refunding 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.		(141,145,000)
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.		(1,719,633)
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.		(16,945,771)
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	162,508,043	
OPEB revenue retirement	450,000	
Supplemental retirement payment	1,076,485	164,034,528
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.		1,079,364

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, 2016

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.	7,886,601
Bond defeasance cost is recorded as an expenditure in the governmental funds, but is recorded as a deferred charge on the statement of net position and does not affect the statement of activities.	13,192,034
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.	(3,694,732)
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 $11,975.	11,975
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the statement of activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.	(2,257,354)
The underfunded portion of the Other Post-Employment Benefits Annual Required Contribution (ARC) is not recorded in the governmental funds. In the statement of activities, the underfunded portion of the ARC is added to expenses.	13,099
An internal service fund is used by the District's management to charge the costs of the health and dental insurance program to the individual funds. The net gain of the internal service fund is reported with the government-wide activities.	1,757,784
Change in Net Position - Government-Wide Activities	**$ 19,182,874**

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, 2016

	Business-Type Activities- Enterprise Fund	Governmental Activities- Internal Service Fund	Memorandum Total
ASSETS			
Current Assets			
Deposits and investments	$ 1,674,129	$ 9,699,869	$ 11,373,998
Receivables	652,139	-	652,139
Prepaid expenses	-	1,777,689	1,777,689
Stores inventories	80,818	-	80,818
Other current assets	-	102,418	102,418
Total Current Assets	2,407,086	11,579,976	13,987,062
LIABILITIES			
Current Liabilities			
Accounts payable	26,702	27,752	54,454
Due to other funds	2,380,384	-	2,380,384
Claim liabilities	-	1,562,914	1,562,914
Total Current Liabilities	2,407,086	1,590,666	3,997,752
NET POSITION			
Restricted for insurance programs	-	9,989,310	9,989,310
Total Net Position	$ -	$ 9,989,310	$ 9,989,310

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities- Enterprise Fund	Governmental Activities- Internal Service Fund	Memorandum Total
OPERATING REVENUES			
Food sales	$ 1,451,410	$ -	$ 1,451,410
Indistrict contributions	-	3,278,772	3,278,772
Other local revenue	90,532	4,074,137	4,164,669
Total Operating Revenues	1,541,942	7,352,909	8,894,851
OPERATING EXPENSES			
Payroll costs	4,429,257	-	4,429,257
Supplies and materials	2,090,097	23,721	2,113,818
Equipment rental	18,049	39,978	58,027
Claims	-	5,592,833	5,592,833
Other operating expenses	401,783	53,178	454,961
Total Operating Expenses	6,939,186	5,709,710	12,648,896
Operating Income (Loss)	(5,397,244)	1,643,199	(3,754,045)
NONOPERATING REVENUES			
Federal grants	4,941,709	-	4,941,709
State grants	372,662	-	372,662
Other transfer in	82,873	114,585	197,458
Total Nonoperating Revenues	5,397,244	114,585	5,511,829
Change in net position	-	1,757,784	1,757,784
Total Net Position - Beginning	-	8,231,526	8,231,526
Total Net Position - Ending	$ -	$ 9,989,310	$ 9,989,310

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities-Enterprise Fund	Governmental Activities-Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from user charges	$ 1,536,231	$ 4,926,085
Cash received from indistrict contributions	-	3,278,772
Cash payments to employees for services	(4,421,613)	-
Cash payments for insurance claims	-	(5,555,441)
Cash payments to suppliers for goods and services	(689,011)	(33,410)
Cash payments for equipment rental	(18,049)	(39,978)
Cash payments for other operating expenses	(401,783)	(53,178)
Net Cash Used For Operating Activities	(3,994,225)	2,522,850
CASH FLOWS FROM FINANCING ACTIVITIES		
Operating grants and contributions	4,845,968	-
Cash received from General Fund	82,873	114,585
Net Cash Provided by Financing Activities	4,928,841	114,585
Net increase in cash and cash equivalents	934,616	2,637,435
Cash and cash equivalents - Beginning	739,513	7,062,434
Cash and cash equivalents - Ending	$ 1,674,129	$ 9,699,869
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating loss	$ (5,397,244)	$ 1,643,199
Changes in assets and liabilities:		
Receivables	(5,711)	299
Prepaid expense	-	(194,304)
Stores inventories	10,677	-
Other current assets	-	851,649
Accounts payable	(15,112)	(9,689)
Due to other funds	1,413,165	-
Claims liabilities	-	231,696
NET CASH USED FOR OPERATING ACTIVITIES	$ (3,994,225)	$ 2,522,850

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016

	Retiree Benefit Trust Fund	Student Scholarship Trust Fund	Associated Student Body Agency Fund	Memorandum Total
ASSETS				
Deposits and investments	$ 24,070,303	$ 626,463	$ 1,915,723	$ 26,612,489
LIABILITIES				
Accounts payable	224,399	-	-	224,399
Due to student groups	-	-	1,915,723	1,915,723
Total Liabilities	224,399	-	1,915,723	2,140,122
NET POSITION				
Restricted	$ 23,845,904	$ 626,463	$ -	$ 24,472,367

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, 2016

	Retiree Benefit Trust Fund	Student Scholarship Trust Fund	Memorandum Total
DEDUCTIONS			
Operating expenditures	$ 4,288,615	$ -	$ 4,288,615
Loss on investment	776,125	23,317	799,442
Scholarships awarded	-	43,439	43,439
Total Deductions	5,064,740	66,756	5,131,496
Change in Net Position	(5,064,740)	(66,756)	(5,131,496)
Net Position - Beginning	28,910,644	693,219	29,603,863
Net Position - Ending	$ 23,845,904	$ 626,463	$ 24,472,367

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 expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. Additional resources that are nonspendable, 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 funds committed for adult education purposes.

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 State apportionments and the District's contributions for deferred maintenance purposes (*California Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

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

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

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) 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 only 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 funds are 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 and Retiree Benefit Trust Fund.

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide 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 minimize 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.

Certain grants received before the eligibility requirements are met are recorded as deferred revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as deferred 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, 2016, 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.

Stores Inventories

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 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 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 CalPERS, 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 CalSTRS, 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 financial position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the unamortized loss on the refunding of general obligation bonds and current year pension contributions.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between actual and expected rate of return on investments specific to the net pension liability.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) 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, 2016, 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 Associate Superintendent of Business Services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Minimum Fund Balance Policy

In fiscal year 2011-12, 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 six percent of General Fund expenditures and other financing uses.

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 February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application.* This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The District has implemented the provisions of this Statement as of June 30, 2016.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP: (1) GASB statements of governmental accounting standards and (2) GASB technical bulletins and implementation guides, as well as guidance from the American Institute of CPAs that is specifically cleared by the GASB. This addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The District has implemented the provisions of this Statement as of June 30, 2016.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants.* This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. The District has implemented the provisions of this Statement as of June 30, 2016.

New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68.* The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

The provisions in this Statement effective as of June 30, 2016, include the provisions for assets accumulated for purposes of providing pensions through defined benefit plans and the amended provisions of Statements No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*, and No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The provisions in this Statement related to defined benefit pensions that are not within the scope of Statement No. 68 are effective for periods beginning after June 15, 2016.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.* The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment 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 post-employment 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 GASB Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

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

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures.* This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
- The gross dollar amount of taxes abated during the period.
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Early implementation is encouraged.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of GASB Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Early implementation is encouraged.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of GASB Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2016 are classified in the accompanying financial statements as follows:

Governmental funds	$ 281,952,942
Proprietary funds	11,373,998
Fiduciary funds	26,612,489
Total Deposits and Investments	$ 319,939,429

Deposits and investments as of June 30, 2016, consist of the following:

Cash on hand and in banks	$ 6,817,640
Cash in revolving	2,600
Investments	313,119,189
Total Deposits and Investments	$ 319,939,429

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	Carrying Value	Fair Value	Average Maturity in Years
Mutual Funds	$ 24,675,584	$ 24,675,584	0.00
Santa Clara County Investment Pool	288,243,605	288,769,516	1.20
Certificate of Deposits	200,000	200,000	0.21
Total	$ 313,119,189	$ 313,645,100	

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. Presented below is the actual rating as of the year end for each investment type.

Investment Type	Fair Value	Not Rated
Mutual Funds	$ 24,675,584	$ 24,675,584
Santa Clara County Investment Pool	288,769,516	288,769,516
Certificate of Deposits	200,000	200,000
Total	$ 313,645,100	$ 313,645,100

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 and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2016, District bank balances of $5,852,690 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, 2016:

		Fair Value Measurements Using			
Investment Type	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Uncategorized
Mutual Funds	$ 24,675,584	$ 24,675,584	$ -	$ -	$ 24,675,584
Santa Clara County Investment Pool	288,769,516	-	-	-	288,769,516
Certificate of Deposits	200,000	-	-	-	200,000
Total	$ 313,645,100	$ 24,675,584	$ -	$ -	$ 313,645,100

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

NOTE 4 - RECEIVABLES

Receivables at June 30, 2016, 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	Total Governmental Funds	Enterprise Fund
Federal Government						
Categorical Aid	$ 3,307,380	$ -	$ -	$ 451,071	$ 3,758,451	$ 596,855
State Government						
Categorical Aid	1,288,155	-	-	226,781	1,514,936	45,652
Lottery	2,498,673	-	-	-	2,498,673	-
Local Government						
Interest	121,502	322,492	-	53,494	497,488	-
Other Local	1,981,481	-	58,196	148,243	2,187,920	9,632
Total	$ 9,197,191	$ 322,492	$ 58,196	$ 879,589	$ 10,457,468	$ 652,139

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 25,442,454	$ -	$ -	$ 25,442,454
Construction in progress	23,930,223	43,166,780	8,515,175	58,581,828
Total Capital Assets Not Being Depreciated	49,372,677	43,166,780	8,515,175	84,024,282
Capital Assets Being Depreciated:				
Buildings and building improvement	656,238,863	12,115,430	-	668,354,293
Site improvement	87,249,287	2,184,440	-	89,433,727
Equipment	32,310,705	1,670,170	-	33,980,875
Total Capital Assets Being Depreciated	775,798,855	15,970,040	-	791,768,895
Total Capital Assets	825,171,532	59,136,820	8,515,175	875,793,177
Less Accumulated Depreciation:				
Buildings and building improvement	165,491,290	17,747,217	-	183,238,507
Site improvement	17,436,463	3,540,271	-	20,976,734
Equipment	22,018,775	2,609,371	-	24,628,146
Total Accumulated Depreciation	204,946,528	23,896,859	-	228,843,387
Governmental Activities Capital Assets, Net	$ 620,225,004	$ 35,239,961	$ 8,515,175	$ 646,949,790

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

Governmental Activities	
Instruction	$ 15,783,797
Supervision of instruction	1,594,845
Instructional library and technology	95,318
School site administration	1,611,461
Home-to-school transporation	687,613
All other pupil services	2,561,823
All other administration	258,586
Maintenance and operations	3,084
Anciliary services	995,385
Community services	304,947
Total Depreciation Expenses, Governmental Activities	$ 23,896,859

NOTE 6 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due From/Due To)

Interfund receivable and payable balances at June 30, 2016 are as follows:

Due To	Due From General Fund
Non-Major Governmental Funds	$ 841,793
Enterprise Fund	2,380,384
Total	$ 3,222,177

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, 2016, consisted of the following:

	Transfer In			
Transfer Out	Non-Major Governmental Funds	Enterprise Fund	Internal Service Fund	Total
General Fund	$ 100,214	$ 82,873	$ 114,585	$ 297,672

The General Fund transferred to Child Development Fund for contribution.	$ 100,214
The General Fund transferred to Cafeteria Fund for contribution.	82,873
The General Fund transferred to Self Insurance Fund for contribution.	114,585
	$ 297,672

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

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JUNE 30, 2016

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 negative net investment in capital assets amount of $6,314,198 includes the effect of deferring the recognition of loss from advance refunding. The $13,786,393 balance of the deferred charge on refunding at June 30, 2016 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, 2016 is as follows:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Deferred charge on refunding	$ 4,289,091	$ 13,192,034	$ 3,694,732	$ 13,786,393

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2016, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds	Enterprise Fund	Internal Service Fund
Vendor payables	$ 5,308,012	$ 8,006,057	$ 608,327	$ 13,922,396	$ 19,058	$ 27,752
State apportionment	2,862,598	-	-	2,862,598	-	-
Salaries and benefits	4,951,035	206	12,140	4,963,381	7,644	-
Total	$ 13,121,645	$ 8,006,263	$ 620,467	$ 21,748,375	$ 26,702	$ 27,752

NOTE 9 - UNEARNED REVENUE

Unearned revenue at June 30, 2016, consists of the following:

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Federal financial assistance	$ 285,841	$ 31,997	$ 317,838
State categorical aid	1,431,263	61,780	1,493,043
Other local	1,615,976	-	1,615,976
Total	$ 3,333,080	$ 93,777	$ 3,426,857

NOTE 10 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due in One Year
General obligation bonds	$ 776,168,135	$ 142,864,633	$ 162,508,043	$ 756,524,725	$ 32,828,665
Premium	41,978,937	16,945,771	7,886,601	51,038,107	4,569,350
OPEB revenue bonds	30,405,000	-	450,000	29,955,000	515,000
Supplemental retirement	1,076,485	-	1,076,485	-	-
Accrued vacation	2,846,104	-	11,975	2,834,129	-
Subtotal	852,474,661	159,810,404	171,933,104	840,351,961	37,913,015
Pension liabilities	164,545,903	52,622,727	-	217,168,630	-
Total	$ 1,017,020,564	$ 212,433,131	$ 171,933,104	$ 1,057,520,591	$ 37,913,015

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund with local revenues. Payments on the OPEB revenue bonds are made by the General Fund. Payments on the supplemental retirement plan are made by the General Fund. The accrued vacation will be paid by the fund for which the employee worked.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Title	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2015	Accreted/ Issued	Defeased/ Redeemed	Bonds Outstanding June 30, 2016
Current Interest Bond							
2003 Refunding	2027	2.0%-5.3%	$ 97,160,000	$ 64,800,000	$ -	$ 2,840,000	$ 61,960,000
2006 Refunding	2025	4.0%-5.25%	42,665,000	39,615,000	-	1,975,000	37,640,000
2007 Refunding	2020	4.0%-5.0%	11,545,000	7,035,000	-	1,820,000	5,215,000
2008 Series A	2039	4.0%-5.0%	50,000,000	45,135,000	-	42,875,000	2,260,000
2002 Series H	2034	5.1%-6.0%	18,000,000	16,825,000	-	15,400,000	1,425,000
2008 Series B	2040	3.0%-5.0%	100,000,000	93,340,000	-	84,740,000	8,600,000
2010 Refunding	2028	2.0%-5.0%	46,160,000	38,835,000	-	2,370,000	36,465,000
2008 Series C	2026	4.0%	20,026,088	15,667,676	-	1,223,043	14,444,633
2008 Series D	2043	2.0%-5.0%	100,000,000	100,000,000	-	330,000	99,670,000
2011 Refunding	2022	3.8%-4.6%	20,135,000	16,655,000	-	2,310,000	14,345,000
2012 Refunding	2029	2.0%-5.0%	36,735,000	33,360,000	-	1,775,000	31,585,000
2013 Refunding	2030	3.0%-5.0%	88,145,000	87,565,000	-	685,000	86,880,000
2014 Refunding	2036	2.0%-5.0%	41,400,000	40,620,000	-	1,305,000	39,315,000
2012 Series A	2039	2.0%-5.0%	20,000,000	18,860,000	-	860,000	18,000,000
2012 Series B	2036	4.0%-5.0%	100,000,000	100,000,000	-	-	100,000,000
2014 Series A	2019	5.0%	16,200,000	16,200,000	-	-	16,200,000
2015 Refunding	2035	3.0%-5.0%	41,420,000	-	41,420,000	-	41,420,000
2016 Refunding A	2033	2.0%-5.0%	16,060,000	-	16,060,000	-	16,060,000
2016 Refunding B	2039	2.0%-5.0%	83,665,000	-	83,665,000	-	83,665,000
Subtotal				734,512,676	141,145,000	160,508,043	715,149,633
Capital Appreciation							
2002 Series E	2020	4.2%-5.1%	29,999,529	11,530,454	682,686	2,000,000	10,213,140
2002 Series G	2032	4.6%-6.9%	19,997,739	30,125,005	1,036,947	-	31,161,952
Subtotal				41,655,459	1,719,633	2,000,000	41,375,092
Total General Obligation Bonds				$ 776,168,135	$ 142,864,633	$ 162,508,043	$ 756,524,725

Debt Service Requirements to Maturity

The bonds mature through 2044 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2017	$ 31,551,118	$ 31,564,788	$ 63,115,906
2018	32,779,322	32,590,157	65,369,479
2019	34,108,152	31,640,168	65,748,320
2020	29,080,722	30,577,643	59,658,365
2021	29,449,944	27,391,458	56,841,402
2022-2026	207,459,963	112,535,184	319,995,147
2027-2031	169,029,312	75,401,173	244,430,485
2032-2036	127,034,332	37,424,291	164,458,623
2037-2041	65,110,000	8,920,784	74,030,784
2042-2044	14,275,000	649,688	14,924,688
Subtotal	739,877,865	$ 388,695,334	$ 1,128,573,199
Accretion to date	16,646,860		
Total	$ 756,524,725		

Advance Refunding

On August 4, 2015, the District issued $41.4 million in General Obligation Bonds with interest rates ranging from 3 percent to 5 percent to advance refund $41.8 million of outstanding 2008 Series A bonds with interest rates ranging from 4 percent to 5 percent. The net proceeds of $44,542,518 (after payment of $341,548 in issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2008 Series A bonds. As a result, $41.8 million of the 2008 Series A bonds are considered to be defeased and the liability for those bonds has been removed from the District's long-term liabilities in its statement of net assets. The District advance refunded the 2008 Series A bonds to reduce its total debt service payments over the next 23 years by $4,863,409 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $3,505,768.

On May 11, 2016, the District issued $16.1 million in General Obligation Bonds Series A with interest rates ranging from 2 percent to 5 percent to advance refund $15 million of outstanding 2002 Series H bonds with interest rates ranging from 5.1 percent to 6 percent. The net proceeds of $16,703,395 (after payment of $355,631 in issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2002 Series H bonds. As a result, the $15 million of 2002 Series H bonds are considered to be defeased and the liability for those bonds has been removed from the District's long-term liabilities in its statement of net assets. The District advance refunded the 2002 Series H bonds to reduce its total debt service payments over the next 15 years by $2,902,385 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $2,667,647.

On May 11, 2016, the District issued $83.7 million in General Obligation Bonds Series B with interest rates ranging from 2 percent to 5 percent to advance refund $82.9 million of outstanding 2008 Series B bonds with interest rates ranging from 3 percent to 5 percent. The net proceeds of $94,978,372 (after payment of $1,169,307 in issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2008 Series B bonds. As a result, the $82.9 million of 2008 Series B bonds are considered to be defeased and the liability for those bonds has been removed from the District's long-term liabilities in its statement of net assets. The District advance refunded the 2008 Series B bonds to reduce its total debt service payments over the next 24 years by $15,002,387 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $12,379,004.

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 July 1, 2015	Redeemed	Bonds Outstanding June 30, 2016
2036	5.18%-5.32%	$ 32,050,000	$ 30,405,000	$ 450,000	$ 29,955,000

Debt Service Requirements to Maturity

The bonds mature through 2036 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2017	$ 515,000	$ 1,588,993	$ 2,103,993
2018	580,000	1,562,316	2,142,316
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
2022-2026	5,510,000	6,560,624	12,070,624
2027-2031	8,540,000	4,791,724	13,331,724
2032-2036	12,610,000	2,111,774	14,721,774
Total	$ 29,955,000	$ 21,106,575	$ 51,061,575

Compensated Absences (Vacation)

The long-term portion of compensated absences (vacation) for the District at June 30, 2016, amounted to $2,834,129.

Supplemental Early Retirement Plan (SERP)

In 2011-2012, 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 contracts were fully paid off during 2016.

NOTE 11 - UNRESTRICTED NET POSITION AND FUND BALANCES

Unrestricted net position is composed of the following elements:

	Governmental Activities
General Fund unrestricted fund balance	$ 48,433,814
Adult Education Fund committed fund balance	288,655
Deferred Maintenance Fund committed fund balance	41,772
Special Reserve Fund for Capital Outlay Projects assigned fund balance	1,575
Post-employment benefits contributions	24,606,664
Other post-employment benefit revenue bonds	(29,955,000)
Compensated absences	(2,834,129)
Subtotal before GASB Statement No. 68 implementation	40,583,351
Net deferred outflow (inflow) of resources from pension activities	16,582,418
Net pension liability	(217,168,630)
Total after GASB Statement No. 68 implementation	$ (160,002,861)

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	199,980	-	-	-	199,980
Prepaid expenditures	10,353	331,380	-	-	341,733
Total Nonspendable	212,833	331,380	-	-	544,213
Restricted					
Legally restricted	3,440,663	-	-	660,435	4,101,098
Capital projects	-	140,181,071	-	23,854,146	164,035,217
Debt services	-	-	52,923,764	-	52,923,764
Total Restricted	3,440,663	140,181,071	52,923,764	24,514,581	221,060,079
Committed					
Adult education program	-	-	-	288,655	288,655
Deferred maintenance	-	-	-	41,772	41,772
Total Committed	-	-	-	330,427	330,427
Assigned					
Capital projects	-	-	-	1,575	1,575
Total Assigned	-	-	-	1,575	1,575
Unassigned					
Reserve for economic uncertainties	7,767,145	-	-	-	7,767,145
Remaining unassigned	40,453,836	-	-	-	40,453,836
Total Unassigned	48,220,981	-	-	-	48,220,981
Total	$ 51,874,477	$ 140,512,451	$ 52,923,764	$ 24,846,583	$ 270,157,275

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

Plan Description

The Post-Employment Benefit Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the East Side Union High School District. The Plan provides medical insurance benefits to eligible retirees. Benefits currently are offered to employees who attain age 55 with at least 20 years of service. For grandfathered employees, benefits are offered for lifetime. Whereas, under the new plan agreements, which cover the majority of the plan beneficiaries, benefits are offered until age 65. Classified employees who retired before July 1, 1994 and other non-classified employees who retired before September 1, 1990 receive spousal benefits. Members of the Plan, based on actuarial information, consists of 452 retirees and beneficiaries currently receiving benefits and 1,356 active plan members. The Plan is presented in these financial statements as the Retiree Benefit Trust Fund. Separate financial statements are not prepared.

Contribution Information

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. In the current year, the District’s contribution was only in the form of a pay-as-you-go in the amount of $4,637,461.

Annual OPEB Cost and Net OPEB Asset

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Districts net OPEB asset to the Plan:

Annual required contribution	$ (3,781,299)
Interest on OPEB asset	1,185,969
Adjustment to annual required contribution	(2,029,032)
Annual OPEB cost	(4,624,362)
Contributions made	4,637,461
Increase in net OPEB asset	13,099
Net OPEB asset, beginning of year	24,593,565
Net OPEB asset, end of year	$ 24,606,664

The annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB asset for the past six years were as follows:

Year Ended June 30,	Amount Contributed	Annual OPEB Cost	Percentage Contributed	Net OPEB Asset
2016	$ 4,637,461	$ 4,624,362	100%	$ 24,606,664
2015	4,417,982	4,536,644	131%	24,593,565
2014	5,277,367	4,039,123	131%	24,712,227
2013	5,763,422	4,023,954	143%	23,473,983
2012	5,893,200	4,576,907	129%	21,734,515
2011	5,164,563	4,569,074	113%	20,418,222

Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liabilities (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2014	$ 28,179,981	$ 54,761,544	$ 26,581,563	51.46%	$ 147,970,440	18%

Actuarial Methods and Assumptions

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

In the July 1, 2014 actuarial valuation, the entry age normal method was used. The actuarial assumptions included a 5 percent investment rate of return (net of administrative expenses), based on the plan being funded in an irrevocable Retiree Benefit Trust Fund invested in a combined equity and fixed income portfolio. Healthcare cost trend rates ranged from an initial 7 percent to an ultimate 5.5 percent. The UAAL is being amortized as a level dollar of payroll. The remaining amortization period at July 1, 2014, was 26 years on a closed basis. As of June 30, 2016, the Retiree Benefit Trust Fund held net position in the amount of $23,845,904, all of which were invested with the Self Insured Schools of California (SISC), in which the majority of the amounts are invested in mutual funds.

NOTE 13 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2016, 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 2016, 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, 2014 to June 30, 2016:

	Health Benefits
Liability Balance, July 1, 2014	$ 1,358,743
Claims and changes in estimates	10,054,957
Claim payments	(10,082,482)
Liability Balance, June 30, 2015	1,331,218
Claims and changes in estimates	12,990,982
Claim payments	(12,759,286)
Liability Balance, June 30, 2016	1,562,914
Assets available to pay claims at June 30, 2016	$ 11,552,224

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, 2016, 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	$ 174,993,327	$ 31,361,683	$ 17,188,979	$ 17,508,395
CalPERS	42,175,303	8,680,649	6,270,935	3,323,167
Total	$ 217,168,630	$ 40,042,332	$ 23,459,914	$ 20,831,562

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:
http://www.calstrs.com/member-publications.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2 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, 2016 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 precentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required state contribution rate	7.12589%	7.12589%

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, 2016, are presented above and the District's total contributions were $12,804,206.

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

At June 30, 2016, 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	$	174,993,327
State's proportionate share of the net pension liability associated with the District		92,552,179
Total net pension liability, including State share	$	267,545,506

The net pension liability was measured as of June 30, 2015. 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, 2015 and June 30, 2014, respectively was 0.25993 percent and 0.23020 percent, resulting in a net increase in the proportionate share of 0.0297 percent.

For the year ended June 30, 2016, the District recognized pension expense of $17,508,395. In addition, the District recognized pension expense and revenue of $7,328,411 for support provided by the State. At June 30, 2016, 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	$ 12,804,206	$ -
Net change in proportionate share of net pension liability	18,557,477	-
Difference between projected and actual earnings on pension plan investments	-	14,264,799
Differences between expected and actual experience in the measurement of the total pension liability on plan investments	-	2,924,180
Total	$ 31,361,683	$ 17,188,979

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/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ 5,903,919
2018	5,903,919
2019	5,903,918
2020	(3,446,957)
Total	$ 14,264,799

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 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 2014-2015 measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ 2,605,550
2018	2,605,550
2019	2,605,550
2020	2,605,550
2021	2,605,550
Thereafter	2,605,547
Total	$ 15,633,297

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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP-2000 Mortality Table series tables adjusted to fit CalSTRS experience.

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

Asset Class	Assumed Asset Allocation	Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Liquidity	1%	0.00%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.6 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 (7.6 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 (6.6%)	$ 264,226,304
Current discount rate (7.6%)	$ 174,993,327
1% increase (8.6%)	$ 100,833,523

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, 2014 annual actuarial valuation report, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety, 2014. 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, 2016, 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 precentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7%	6%
Required employer contribution rate	11.847%	11.847%

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, 2016, are presented above and the total District contributions were $3,814,940.

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $42,175,303. The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the Districts 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, 2015 and June 30, 2014, respectively was 0.28613 percent and 0.26448 percent, resulting in a net increase in the proportionate share of 0.02165 percent.

For the year ended June 30, 2016, the District recognized pension expense of $3,323,167. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurment date	$ 3,814,940	$ -
Net change in proportionate share of net pension liability	2,455,328	2,235,449
Difference between projected and actual earnings on pension plan investments	-	1,444,118
Differences between expected and actual experience in the measurement of the total pension liability	2,410,381	-
Changes of assumptions	-	2,591,368
Total	$ 8,680,649	$ 6,270,935

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/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ 1,058,610
2018	1,058,610
2019	1,058,610
2020	(1,731,712)
Total	$ 1,444,118

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 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 2014-2015 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	$ (392,296)
2018	(274,641)
2019	705,829
Total	$ 38,892

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, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	51%	5.25%
Global fixed income	19%	0.99%
Private equity	10%	6.83%
Real estate	10%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and forestland	2%	4.50%
Liquidity	2%	-0.55%
	100%	

Discount Rate

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

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

Discount Rate	Net Pension Liability
1% decrease (6.65%)	$ 68,643,819
Current discount rate (7.65%)	$ 42,175,303
1% increase (8.65%)	$ 20,164,963

Public Agency Retirement System (PARS) (Define 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 $7,328,411, $5,507,987, and $5,644,087 (7.12589, 5.679, and 5.541 percent of annual payroll) for the years ending June 30, 2016, 2015 and 2014, 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, 2016, the District made payments of $1,433,283 and $3,003,355 to North 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 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, 2016.

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, 2016.

Construction Commitments

As of June 30, 2016, the District had construction commitments in the amount of $65,384,192.

REQUIRED SUPPLEMENTARY INFORMATION

EAST SIDE UNION HIGH SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Favorable (Unfavorable) Variances
	Original	**Final**	**Actual**	**Final to Actual**
REVENUES				
Local control funding formula	$213,495,630	$213,313,058	$213,468,854	$ 155,796
Federal sources	12,017,842	12,235,194	12,116,667	(118,527)
Other State sources	21,959,570	32,331,011	32,032,677	(298,334)
Other local sources	6,955,507	9,229,130	9,525,672	296,542
Total Revenues	254,428,549	267,108,393	267,143,870	35,477
EXPENDITURES				
Current				
Certificated salaries	117,143,354	119,279,899	118,937,467	342,432
Classified salaries	30,092,314	30,813,023	30,303,548	509,475
Employee benefits	60,864,792	67,153,735	67,150,518	3,217
Books and supplies	6,410,344	6,303,651	5,940,868	362,783
Services and operating expenditures	21,444,176	24,339,570	23,894,450	445,120
Other outgo	3,218,525	3,528,733	3,107,308	421,425
Capital outlay	3,133,125	5,609,871	5,484,889	124,982
Debt service - principal	450,000	450,000	450,000	-
Debt service - interest	1,612,303	1,612,303	1,612,303	-
Total Expenditures	244,368,933	259,090,785	256,881,351	2,209,434
Excess of Revenues Over Expenditures	10,059,616	8,017,608	10,262,519	2,244,911
Other Financing Uses:				
Transfers out	(759,965)	(609,845)	(447,672)	162,173
Net Financing Uses	(759,965)	(609,845)	(447,672)	162,173
NET CHANGE IN FUND BALANCE	9,299,651	7,407,763	9,814,847	2,407,084
Fund Balance - Beginning	34,292,485	34,292,485	34,292,485	-
Fund Balance - Ending	$ 43,592,136	$ 41,700,248	44,107,332	$ 2,407,084
Special Reserve - Other Than Capital Outlay Projects			7,767,145	
Fund Balance - Ending - GAAP			$ 51,874,477	

See accompanying note to required supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

SCHEDULE OF OTHER POST-EMPLOYMENT BENEFITS (OPEB) FUNDING PROGRESS
FOR THE YEAR ENDED JUNE 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liabilities (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2014	$ 28,179,981	$ 54,761,544	$ 26,581,563	51.46%	$ 147,970,440	18%
July 1, 2012	26,861,167	55,163,201	28,302,034	48.69%	136,675,675	21%
July 1, 2010	27,223,353	65,140,176	37,916,823	41.79%	131,629,079	29%

See accompanying note to required supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2016

MEASUREMENT DATE	June 30, 2015	June 30, 2014
CalSTRS		
District's proportion of the net pension liability	0.25993%	0.23020%
District's proportionate share of the net pension liability	$ 174,993,327	$ 134,521,149
State's proportionate share of the net pension liability associated with the District	92,552,179	81,229,677
Total	$ 267,545,506	$ 215,750,826
District's covered - employee payroll	$ 111,165,728	$ 102,842,026
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	157.42%	130.80%
Plan fiduciary net position as a percentage of the total pension liability	74%	77%
CalPERS		
District's proportion of the net pension liability	0.28613%	0.26448%
District's proportionate share of the net pension liability	$ 42,175,303	$ 30,024,754
District's covered - employee payroll	$ 29,702,119	$ 27,540,541
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	141.99%	109.02%
Plan fiduciary net position as a percentage of the total pension liability	79%	83%

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

See accompanying note to required supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
CalSTRS		
Contractually required contribution	$ 12,804,206	$ 9,869,073
Contributions in relation to the contractually required contribution	(12,804,206)	(9,869,073)
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 119,337,685	$ 111,165,728
Contributions as a percentage of covered - employee payroll	10.73%	8.88%
CalPERS		
Contractually required contribution	$ 3,814,940	$ 3,496,235
Contributions in relation to the contractually required contribution	(3,814,940)	(3,496,235)
Contribution deficiency (excess)	$ -	$ -
District's covered - employee payroll	$ 33,120,771	$ 29,702,119
Contributions as a percentage of covered - employee payroll	11.52%	11.77%

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

See accompanying note to required supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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.

Schedule of Other Post-employment Benefits (OPEB) Funding Progress

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

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

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

Schedule of District Pension Contributions

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

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuation for either CalSTRS and CalPERS.

Changes in Assumptions

The CalSTRS plan rate of investment return assumption was not changed from the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.50 percent to 7.65 percent since the previous valuation.

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SUPPLEMENTARY INFORMATION

EAST SIDE UNION HIGH SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

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]		$ 202,500
Passed-Through California Department of Education (CDE):				
No Child Left Behind Act:				
Title I, Part A, Basic Grants Low-Income and Neglected	84.010	14329		4,714,853
Title I, Part C, Migrant Education	84.011	14326		370,924
Title II, Part A, Teacher Quality	84.367	14341		642,466
Title III, Limited English Proficiency	84.365	14346	$ 371,099	
Title III, Immigrant Education Program	84.365	15146	59,388	
Total English Language Acquisition State Grants				430,487
Individuals with Disabilities Act:				
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	3,634,383	
Mental Health Allocation Plan, Part B, Section 611	84.027A	14468	341,893	
Total Special Education Cluster				3,976,276
Carl Perkins Act:				
Secondary, Section 131	84.048	14894	555,350	
Adult, Section 132	84.048	14893	17,313	
Total Carl Perkins Grant				572,663
Adult Education Act:				
Adult Secondary Education	84.002	13978	242,482	
Adult Basic Education and English as Second Language	84.002A	14508	522,488	
Total Adult Education Cluster				764,970
Total Pass-Through Grants				11,472,639
Total U.S. Department of Education				11,675,139
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed-Through California Department of Education:				
Child Development Act:				
Head Start	93.600	10016		192,000
Medi-Cal Billing Option	93.778	10013		115,241
Federal Child Care, Center-Based	93.575	15136		303,237
Race to the Top (Early Learning Challenge)	84.412	15181		100,655
Total U.S. Department of Health and Human Services				711,133

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, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	
U.S. DEPARTMENT OF AGRICULTURE				
Passed-Through California Department of Education:				
Child Nutrition Act:				
Needy Breakfast	10.553	13390	1,245,370	
National School Lunch	10.555	13523	3,095,568	
Meal Supplement	10.556	13568	9,734	
Commodity Supplemental Food Program [2]	10.555	13534	248,129	
Total Child Nutrition Cluster				4,598,801
Child and Adult Care Food Program	10.558	13393		591,037
Total U.S. Departmentof Agriculture				5,189,838
U.S. DEPARTMENT OF REHABILITATION				
Passed-Through California Department of Education:				
Workability II, Transition Partnership	84.126	10006		338,903
U.S. DEPARTMENT OF DEFENSE				
Direct Grants:				
Junior Reserve Officer Training Corp (JROTC)	12.357	[1]		543,922
Total Expenditures of Federal Awards				$ 18,458,935

[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.

EAST SIDE UNION HIGH SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2016

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
Lan Nguyen	President	2016
Frank Biehl	Vice President	2018
J. Manual Herrera	Clerk	2018
Pattie Cortese	Member	2016
Van T. Le	Member	2018

ADMINISTRATION

Chris D. Funk	Superintendent
Marcus Battle	Associate Superintendent of Business Services
Glenn Vander Zee	Associate Superintendent of Educational Services
Cari Vaeth	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, 2016

	Final Report	
	Second Period Report	Annual Report
9th Through 12th		
Regular ADA	21,979.44	21,847.42
Extended Year Special Education	33.77	33.77
Special Education, Nonpublic, Nonsectarian Schools	54.25	59.16
Extended Year Special Education, Nonpublic, Nonsectarian Schools	4.07	4.07
Total ADA	22,071.53	21,944.42

See accompanying note to supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2016

Grade Level	1986-87 Minutes Requirement	2015-16 Actual Minutes	Number of Days Traditional Calendar	Number of Days Multitrack Calendar	Status
Grade 9	64,800	64,875	180	Not applicable	Complied
Grade 10	64,800	64,875	180	Not applicable	Complied
Grade 11	64,800	64,875	180	Not applicable	Complied
Grade 12	64,800	64,875	180	Not applicable	Complied

See accompanying note to supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF UNAUDITED ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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	Building Fund
FUND BALANCE			
Balance, June 30, 2016, Unaudited Actuals	$ 44,107,332	$ 7,767,145	$ 140,201,907
As required by GASB Statement No. 54, the District consolidated Fund 17, Special Reserve Fund for Other Than Capital Outlay into General Fund	7,767,145	(7,767,145)	-
Increase in Prepaid Expenditures	-	-	310,544
Balance, June 30, 2016, Audited Financial Statements	$ 51,874,477	$ -	$ 140,512,451

See accompanying note to supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted 2017 [1]	Actual 2016	Actual 2015	Actual 2014
GENERAL FUND				
Revenues	$ 262,831,142	$ 257,564,408	$ 236,201,709	$ 219,885,319
Other sources	4,161,155	9,579,462	7,181,114	6,903,132
Total Revenues and Other Sources	266,992,297	267,143,870	243,382,823	226,788,451
Expenditures	275,613,399	256,881,351	241,841,002	216,137,590
Other uses and transfers out	1,230,034	447,672	599,928	516,364
Total Expenditures and Other Uses	276,843,433	257,329,023	242,440,930	216,653,954
Increase In Fund Balance	$ (9,851,136)	$ 9,814,847	$ 941,893	$ 10,134,497
Ending Fund Balance	$ 34,256,196	$ 44,107,332	$ 34,292,485	$ 33,350,592
Available Reserves [2]	$ 38,369,845	$ 48,220,981	$ 38,575,811	$ 38,998,523
Available Reserves as a percentage of total Outgo [3]	13.86%	18.74%	15.91%	18.00%
Long-Term Obligations	$ 1,019,607,576	$ 1,057,520,591	$ 1,017,020,564	$ 743,736,709
Average Daily Attendance At P-2	22,053	22,072	22,479	22,371

The General Fund balance has increased by $10,756,740 over the past two years. The fiscal year 2016-2017 budget projects a decrease of $9,851,136. For a district this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in the past three years, but anticipates operating deficit during the 2016-2017 fiscal year. Total long-term obligations have increased by $313,783,882 over the past two years. The increase in long-term obligations is mainly due to the $116.2 million new general obligation bond issuance during 2015-2016 and $217.2 million of pension liability recognition.

Average daily attendance has decreased by 299 over the past two years. A decrease of 19 ADA is anticipated during fiscal year 2016-2017.

[1] First Interim Budget 2017 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.

EAST SIDE UNION HIGH SCHOOL DISTRICT

SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2016

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

See accompanying note to supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	$ 594,452	$ 836,375	$ 44,261
Receivables	463,281	365,663	97
Total Assets	$ 1,057,733	$ 1,202,038	$ 44,358
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 108,643	$ 266,468	$ 2,586
Due to other funds	-	841,793	-
Unearned revenue	-	93,777	-
Total Liabilities	108,643	1,202,038	2,586
Fund Balances:			
Restricted	660,435	-	-
Committed	288,655	-	41,772
Assigned	-	-	-
Total Fund Balances	949,090	-	41,772
Total Liabilities and Fund Balances	$ 1,057,733	$ 1,202,038	$ 44,358

See accompanying note to supplementary information.

	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
	$ 10,210,802	$ 13,835,569	$ 1,572	$ 25,523,031
	20,487	30,058	3	879,589
	$ 10,231,289	$ 13,865,627	$ 1,575	$ 26,402,620
	$ 232,717	$ 10,053	$ -	$ 620,467
	-	-	-	841,793
	-	-	-	93,777
	232,717	10,053	-	1,556,037
	9,998,572	13,855,574	-	24,514,581
	-	-	-	330,427
	-	-	1,575	1,575
	9,998,572	13,855,574	1,575	24,846,583
	$ 10,231,289	$ 13,865,627	$ 1,575	$ 26,402,620

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, 2016

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund
REVENUES			
Federal sources	$ 764,970	$ 595,892	$ -
Other State sources	6,789,169	1,211,967	-
Other local sources	140,163	625,956	1,170
Total Revenues	7,694,302	2,433,815	1,170
EXPENDITURES			
Current			
Instruction	3,327,437	2,221,678	-
Instruction-related activities:			
Supervision of instruction	503,178	27,739	-
Instructional library and technology	38,083	-	-
School site administration	2,316,534	180,097	-
All other pupil services	76,027	14,385	-
Administration:			
All other administration	330,896	-	-
Maintenance and operations	362,840	90,130	36,447
Facility acquisition and construction	-	-	-
Total Expenditures	6,954,995	2,534,029	36,447
Excess (Deficiency) of Revenues Over Expenditures	739,307	(100,214)	(35,277)
Other Financing Sources			
Transfers in	-	100,214	-
Net Financing Sources	-	100,214	-
NET CHANGE IN FUND BALANCES	739,307	-	(35,277)
Fund Balance - Beginning	209,783	-	77,049
Fund Balance - Ending	$ 949,090	$ -	$ 41,772

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
$ -	$ -	$ -	$ 1,360,862
-	3,569,741	-	11,570,877
1,967,702	104,931	11	2,839,933
1,967,702	3,674,672	11	15,771,672
-	-	-	5,549,115
-	-	-	530,917
-	-	-	38,083
-	-	-	2,496,631
-	-	-	90,412
-	-	-	330,896
50,750	-	-	540,167
467,374	2,025,293	-	2,492,667
518,124	2,025,293	-	12,068,888
1,449,578	1,649,379	11	3,702,784
-	-	-	100,214
-	-	-	100,214
1,449,578	1,649,379	11	3,802,998
8,548,994	12,206,195	1,564	21,043,585
$ 9,998,572	$ 13,855,574	$ 1,575	$ 24,846,583

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2016

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 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		$ 13,477,529
Total Federal resources reported on Business-type Activities		4,941,709
Federal subsidy for advance placement testing fees not reported on the SEFA	not available	(208,432)
Commodities not recorded on the financial statements	10.555	248,129
Total Schedule of Expenditures of Federal Awards		$ 18,458,935

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. The District neither met nor exceeded its target funding. 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.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2016

Reconciliation of Unaudited Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited 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 or Santa Clara County Office of Education, and displays information for each Charter School on whether or not the Charter School is included in the District audit.

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

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

INDEPENDENT AUDITOR'S REPORTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of East Side Union High School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise East Side Union High School District's basic financial statements, and have issued our report thereon dated December 9, 2016.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 to the financial statements, in 2016, the District adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application;* GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68;* GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments;* and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to these matters.

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.

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Vavrinek, Trine, Day & Co., LLP

Palo Alto, California
December 9, 2016

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 (the District) major Federal programs for the year ended June 30, 2016. 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, 2016.

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

Report on Internal Control Over Compliance

Management of 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 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 9, 2016

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

VALUE THE DIFFERENCE

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 *2015-2016 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, 2016.

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 *2015-2016 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 on Each of the Programs

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, 2016.

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

In connection with the audit referred to above, we selected and tested transactions and records to determine the 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
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After 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 Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	No, see below
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 any related procedures.

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

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 School Education and Safety program; therefore, we did not perform any related procedures.

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

The District did not have any schools listed on the Immunization assessment reports; 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 9, 2016

Schedule of Findings and Questioned Costs

EAST SIDE UNION HIGH SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2016

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiencies identified?	No
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major federal programs:	
Material weakness identified?	No
Significant deficiencies identified?	No
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
84.027, 84.027A	Special Education Cluster
84.010	Title I, Part A, Basic Grants Low-Income and Neglected

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

None reported.

EAST SIDE UNION HIGH SCHOOL DISTRICT

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

None reported.

EAST SIDE UNION HIGH SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

None reported.

EAST SIDE UNION HIGH SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

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