

**EAST SIDE UNION
HIGH SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2015**

EAST SIDE UNION HIGH SCHOOL DISTRICT

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the East Side Union High School District, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 16 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, as listed in the table of contents, such as the combining and individual non-major fund financial statements and the Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Palo Alto, California
December 15, 2015

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Preparing every student to thrive in a global society.

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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, 2015. 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.

East Side Union High School District Board of Trustees

Van T. Le, President Lan Nguyen, Vice President Frank Biehl, Clerk J. Manuel Herrera, Member Pattie Cortese, Member
Chris D. Funk, Superintendent

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EAST SIDE UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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) increased by 151 to 23,683. Second period average daily attendance (commonly known as P-2 ADA) increased by 108 to 22,479; however, the County Special Education program lost 33.15 ADA.
- The net Local Control Funding Formula (LCFF) ADA is \$8,533 with 53.89% unduplicated count percentage of Economic Disadvantage, Foster Youth, Homeless, English Language Learner and Migrant Education Students.
- The District received an increase of \$943,136 in Title I funding and No Child Left Behind Program Improvement.
- The District maintained class sizes similar to the previous year at 33 to 1 average.
- The District provided all employees with a 5.156% salary increase.
- The District monitors the budget conservatively and has a \$31 million unassigned general fund balance that includes \$2 million for Economic Impact Aid/Supplemental fund balance, \$3 million restricted fund balance and \$7.6 million in General Reserve for economic uncertainties.
- In the November 2014 election, the voters passed the Measure I, Tech Bond, which authorizes the District to issue and sell bonds of up to \$113.2 million to increase student computer access, upgrade educational software, keep pace with 21st century technological, innovations, and implement statewide testing requirements.

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.

EAST SIDE UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

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 - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the United States and State Department of Education.

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

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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 \$106.6 million deficit and \$101.8 million deficit for the fiscal years ended June 30, 2015 and 2014, 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 governmental activities.

Table 1

	Governmental Activities		Business-Type Activities	
	2015	2014*	2015	2014
Current and other assets	\$ 326,188,154	\$ 235,036,311	\$ 41,814	\$ 59,446
Prepays for other post-employment benefits (OPEB)	24,593,565	24,712,227	-	-
Capital assets	620,225,004	606,989,921	-	-
Total Assets	971,006,723	866,738,459	41,814	59,446
Deferred charge on refunding	4,289,091	4,669,211	-	-
Deferred outflows from pension	13,365,308	11,635,532	-	-
Total Deferred Outflows	17,654,399	16,304,743	-	-
Current liabilities	31,367,343	30,862,284	41,814	59,446
Long-term debt	852,474,661	743,736,709	-	-
Aggregate pension liability	164,545,903	210,211,421	-	-
Total Liabilities	1,048,387,907	984,810,414	41,814	59,446
Deferred inflows from pension	46,854,420	-	-	-
Total Deferred Intflows	46,854,420	-	-	-
Net position				
Net investment in capital assets	(3,740,598)	15,596,958	-	-
Restricted	65,784,167	48,713,085	-	-
Unrestricted	(168,624,774)	(166,077,255)	-	-
Total Net Position	\$ (106,581,205)	\$ (101,767,212)	\$ -	\$ -

*For comparison purpose, 2013-14 data reflect the impact of prior period net position adjustment related to the adoption of GASB 68.

EAST SIDE UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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 and rearranges by revenues and expenses.

Table 2

	Governmental Activities		Business-Type Activities	
	2015	2014	2015	2014
Revenues				
Program revenues				
Charges for services	\$ 178,157	\$ 87,257	\$ 1,393,671	\$ 2,047,063
Operating grants and contributions	24,875,282	25,201,929	4,597,716	3,925,108
Capital grants and contributions	56,181	50,920	-	-
General revenues				
State and federal sources	109,867,950	99,797,963	-	-
Taxes	143,209,505	136,562,886	-	-
Other general revenues	17,139,179	14,576,156	473,282	16,364
Total Revenues	295,326,254	276,277,111	6,464,669	5,988,535
Expenses				
Instruction related	192,846,184	178,113,662	-	-
Student support services	31,500,462	25,891,412	-	-
Administration	14,064,200	11,173,621	348,036	320,175
Maintenance and operations	21,681,046	20,896,452	-	-
Other outgo	4,461,863	3,867,939	-	-
Food services	-	-	6,116,633	6,029,654
Interest and other	35,586,492	35,891,328	-	-
Total Expenses	300,140,247	275,834,414	6,464,669	6,349,829
Change in Net Position	\$ (4,813,993)	\$ 442,697	\$ -	\$ (361,294)

*2013-14 data does not reflect the impact of the adoption of GASB 68.

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 \$300.1 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$143.2 million because the cost was paid by those who benefited from the programs (\$0.2 million) or by other governments and organizations who subsidized certain programs with operating and capital grants and contributions (\$24.9 million). We paid for the remaining "public benefit" portion of our governmental activities with \$127 million in Federal and State funds that are not restricted to specific purposes and with other revenues, like interest and general entitlements.

EAST SIDE UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

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

	2015	2014
Instruction and related activities	\$ 168,933,960	\$ 157,666,812
Pupil services	31,431,150	22,335,208
General administration	13,193,360	9,971,248
Maintenance and operations	21,629,628	20,850,047
Interest	32,561,555	33,480,938
Other	7,280,974	6,190,055
Totals	<u>\$ 275,030,627</u>	<u>\$ 250,494,308</u>

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$299.9 million, which was an increase of \$90.2 million from last year. The significant increase in the combined fund balance was due to the increase in the building fund balance from on-going construction activities related to the bond programs and the Bond Interest and Redemption Fund.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted in June 2015. (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 68).

The General Fund is the principal operating fund for the District. It is used to account for the ordinary operations of the District. The State LCFE revenues are the main funding source for the general operation expenditures. The net LCFE ADA is \$8,533 with 53.89% unduplicated count percentage of Economic Disadvantage, Foster Youth, Homeless, English Language Learner and Migrant Education Students. The District had an increase of 151 in enrollment to 23,683 reported in the California Basic Educational Data System (CBEDS).

EAST SIDE UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2015

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the District governmental activities had \$620 million in a broad range of capital assets. This amount represents a net increase (including additions, deductions and depreciation) of \$13.2 million, or 2.2%, from last year.

Table 4

	Governmental Activities	
	2015	2014
Land	\$ 25,442,454	\$ 25,442,454
Construction in progress	23,930,223	21,475,727
Buildings and improvements	743,488,150	712,900,811
Furniture and equipment	32,310,705	28,928,280
Total Assets	825,171,532	788,747,272
Less Accumulated Depreciation	204,946,528	181,757,351
Totals	\$ 620,225,004	\$ 606,989,921

Several capital projects are planned for the 2015-2016 and 2016-2017 fiscal years. We anticipate capital expenditures to be approximately \$162 million for the two upcoming years.

Major projects completed for fiscal year 2014-2015:

- Andrew Hill High School – New Classroom Building 100
- Calero High School – Landscaping Upgrade
- Evergreen Valley High School – Portable Classrooms Refurbishing, P1 – P12
- Independence High School – Modernization of Building G and N1, N2
- James Lick High School – Integrated Classrooms Phase 1
- Mount Pleasant High School – Mini-Campus Modernization
- Santa Teresa High School – Exterior Painting
- Silver Creek High School – Modernization of Student/Staff Restrooms
- Silver Creek High School – Stadium Lighting
- W.C. Overfelt High School – Exterior Painting
- W.C. Overfelt High School – Apollo High School Buildings P1- P3 Floor Replacement
- W.C. Overfelt High School – Child Care Center Building N Play Yard Shade Canopy
- Districtwide – Asphalt Resurfacing

The following Measures G, E and I projects are planned for fiscal year 2015-2016:

- Andrew Hill High School – Weight Room Equipment
- Andrew Hill High School – Drama Room Refurbishment
- Andrew Hill High School – Removal of Portable Classroom Buildings B1-B7 and C1-C6
- Andrew Hill High School – Baseball Complex Foul Ball Net
- Andrew Hill High School – Courtyards, Site and Infrastructure Improvements

EAST SIDE UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

- Evergreen Valley High School – Basketball Court Resurfacing
- 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 – Building B Modernization
- Independence High School – Portable Village
- Independence High School – Building F Modernization of Performing Arts Center
- Independence High School – Streetscape, Infrastructure, Wayfinding Modernization
- Independence High School – Gym Sound System Replacement
- Independence High School – Alternative Education Facility Upgrades
- James Lick High School – Integrated Classrooms Phase 2
- Oak Grove High School – Alternative Education Mini Campus Improvements
- Oak Grove High School – Theater Building I Modernization
- Oak Grove High School – Classroom Building U Modernization
- 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 – Stadium Lighting and Main Electrical Switchgear
- W.C. Overfelt High School – Alternative Education Mini Campus Improvements
- W.C. Overfelt High School – Varsity Baseball Field Upgrade
- Yerba Buena High School – Theater Building 500 Eaves Repair
- Districtwide – Tree Trimming
- Districtwide – Doors Replacement
- Districtwide – Security Camera Upgrade: Phase 1, 2, and 3

The following Measures G, E and I projects are planned for fiscal year 2016-2017:

- Foothill High School – Supplement Technology in Building D Computer Lab
- Foothill High School – Building F Hooper Hall and Quad Modernization
- Foothill High School – Storm Drain and Miscellaneous Infrastructure Upgrade
- 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
- W.C. Overfelt High School – Building J (L) Modernization
- Yerba Buena High School – Replacement of Field Concession Building
- Yerba Buena High School – Infrastructure Upgrade
- Districtwide – Roofing Replacements
- Districtwide – Fire Alarm Modernization
- Districtwide – Security Camera: Phase 4
- Districtwide – Energy Efficiency Upgrades
- Districtwide – Swimming Pools Modernizations
- Districtwide – Mechanical, Electrical

EAST SIDE UNION HIGH SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

Long-Term Obligations Other Than Pension Liability

Table 5

	Governmental Activities	
	2015	2014
General obligation bonds	\$ (776,168,135)	\$ 677,690,156
Premium	(41,978,937)	30,072,503
OPEB revenue bonds	(30,405,000)	30,795,000
Supplemental retirement plan	(1,076,485)	2,152,970
Compensated absences (vacation)	(2,846,104)	3,026,080
Totals	\$ (852,474,661)	\$ 743,736,709

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 \$852.5 million is below the statutorily imposed limit.

We present more detailed information regarding our long-term obligations in Note 9 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*, 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, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Deferred Outflow of Resources</u>	<u>Proportionate Share of Deferred Inflow of Resources</u>	<u>Proportionate Share of Pension Expense</u>
CalSTRS	\$ 134,521,149	\$ 9,869,073	\$ 33,125,577	\$ 11,613,519
CalPERS	30,024,754	3,496,235	13,728,843	2,668,587
Total	<u>\$ 164,545,903</u>	<u>\$ 13,365,308</u>	<u>\$ 46,854,420</u>	<u>\$ 14,282,106</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2014-2015 ARE NOTED BELOW:

2014-2015 is the first year for the District to implement the Local Control Accountability Plan (LCAP). Outcomes center around 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.

Data is common to the KPMs (Key Performance Measures) specified in the District Strategic Plan. The District uses the 2013-2014 graduation rates as LCAP benchmark, LCAP goals and the District KPMs. Over the last several years, the District has seen an increase in graduation rates, a decrease in dropout rates, and an increase in the percent of graduates completing the University of California/California State University a-g college course sequence. For the first time, we have been able to collect data on college enrollment and persistence, which shows that the majority of our graduates enrolled in college within the first two years have returned for a second school year. District administration is working on creating a rubric to evaluate both the implementation of the Critical Thinking, Communication, Collaboration, Creativity and Civic Engagement (5C's) as well as the expression of the 5C's in student outcomes.

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 2014-2015, a total of 9,931 AP exams were taken and there were a total of 5,143 students who took the exams. This is an increase of 651 exams and 97 students. Using CBEDS enrollment, 29.5% of students took at least one AP test and of those students, 61.2% scored a 3 out of 5 or higher on at least one exam.

The District waives fees to encourage 10th grade students to take the Preliminary Scholastic Aptitude Test (PSAT) which prepares 11th graders for the Scholastic Aptitude Test (SAT). Depending on the results, students would qualify for college scholarships through the National Merit Scholarship Program. In 2014-2015, 90% of 10th grade students took the PSAT and 33.1% met the college readiness indicator.

2014-2015 is the first year that James Lick High School joined the New Tech Network. 9th grade enrollment has seen an increase with the implementation of this program. This affiliation helps to guide student success through Project Based Learning and through our four pillars of Agency, Growth Mindset, Collaboration, and Communication. Students experience cross-curricular and team taught courses, and learn to demonstrate their understanding through authentic, real world projects. Teachers become facilitators of the classroom and students become independent seekers of information and knowledge.

EAST SIDE UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2015

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Overall, the State budget continues to be reflective of steady economic improvement; however, while the CalSTRS and CalPERS, certificated and classified personnel retirement system, respectively, employers' rates are going up progressively in fiscal year 2014-2015 through 2020-2021. The District has conservatively watched the budget and planned for the projections.

The LCFF funding gap for 2015-2016 is 51.52% with the unduplicated count percentage at 53.3%. The District student enrollment is projected to decrease by 407 in fiscal year 2015-2016, but anticipates a slight increase in 2016-2017. The projected 2015-2016 and 2016-2017 CBEDS enrollment is 23,276 and 23,411, respectively.

The District sells the first series of the Measure I, Tech Bond for \$16.2 million which allows the District to buy computing devices for students and staff, upgrade software, infrastructure and provide learning resources through the use of technology.

The District agreed to reduce the class size by two for 2015-2016, and will reduce one less in 2016-2017 which will restore the class size level back to 2007-2008. The District and the East Side Teacher Association (ESTA) and the Classified Union (CSEA) have a contract agreement to increase salary by 4.25% in 2015-2016. The District and ESTA have a contract agreement to increase salary by 2.25% in 2016-2017.

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, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Deposits and investments	\$ 182,851,032	\$ 739,513	\$ 183,590,545
Receivables	139,554,893	178,025	139,732,918
Internal balances	967,219	(967,219)	-
Prepaid expenses	1,698,886	-	1,698,886
Stores inventories	162,057	91,495	253,552
Other current assets	954,067	-	954,067
Postemployment benefits contributions	24,593,565	-	24,593,565
Capital assets not depreciated	49,372,677	-	49,372,677
Capital assets, net of accumulated depreciation	570,852,327	-	570,852,327
Total Assets	971,006,723	41,814	971,048,537
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	4,289,091	-	4,289,091
Deferred outflows from pension activities	13,365,308	-	13,365,308
Total Deferred Outflows of Resources	17,654,399	-	17,654,399
LIABILITIES			
Accounts payable	15,174,271	41,814	15,216,085
Interest payable	13,322,797	-	13,322,797
Unearned revenue	1,539,057	-	1,539,057
Claims liabilities	1,331,218	-	1,331,218
Current portion of long-term obligations other than pensions	27,430,131	-	27,430,131
Noncurrent portion of long-term obligations other than pensions	825,044,530	-	825,044,530
Aggregate net pension liability	164,545,903	-	164,545,903
Total Liabilities	1,048,387,907	41,814	1,048,429,721
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pension activities	46,854,420	-	46,854,420
Total Deferred Inflows of Resources	46,854,420	-	46,854,420
NET POSITION			
Net investment in capital assets	(3,740,598)	-	(3,740,598)
Restricted for:			
Debt service	33,797,481	-	33,797,481
Capital projects	20,755,189	-	20,755,189
Educational programs	2,999,971	-	2,999,971
Self insurance	8,231,526	-	8,231,526
Unrestricted (Note 10)	(168,624,774)	-	(168,624,774)
Total Net Position	\$ (106,581,205)	\$ -	\$ (106,581,205)

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, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 158,827,853	\$ 129,337	\$ 17,780,403	\$ 56,181
Instruction-related activities:				
Supervision of instruction	15,835,748	37,800	5,036,576	-
Instructional library and technology	886,444	-	56,838	-
School site administration	17,296,139	1,502	813,587	-
Pupil services:				
Home-to-school transportation	7,198,873	-	-	-
All other pupil services	24,301,589	-	69,312	-
Administration:				
Data processing	3,468,094	-	-	-
All other administration	10,596,106	1,479	869,361	-
Maintenance and operations	21,681,046	170	51,248	-
Ancillary services	2,585,422	92	45,361	-
Community services	44,439	1,634	30,845	-
Enterprise services	395,076	-	-	-
Interest on long-term obligations	32,561,555	-	-	-
Other outgo	4,461,863	6,143	121,751	-
Total Governmental Activities	300,140,247	178,157	24,875,282	56,181
Business-Type Activities:				
Food services	6,116,633	1,318,640	4,350,191	-
Administration	348,036	75,031	247,525	-
Total Business-Type Activities	6,464,669	1,393,671	4,597,716	-
Total Primary Government	\$ 306,604,916	\$ 1,571,828	\$ 29,472,998	\$ 56,181

General revenues and subventions:

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

Subtotal, General Revenues

Change in Net Position

Net Position - Beginning, as restated (See Note 16)

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
\$(140,861,932)	\$ -	\$(140,861,932)
(10,761,372)	-	(10,761,372)
(829,606)	-	(829,606)
(16,481,050)	-	(16,481,050)
(7,198,873)	-	(7,198,873)
(24,232,277)	-	(24,232,277)
(3,468,094)	-	(3,468,094)
(9,725,266)	-	(9,725,266)
(21,629,628)	-	(21,629,628)
(2,539,969)	-	(2,539,969)
(11,960)	-	(11,960)
(395,076)	-	(395,076)
(32,561,555)	-	(32,561,555)
(4,333,969)	-	(4,333,969)
<u>(275,030,627)</u>	<u>-</u>	<u>(275,030,627)</u>
-	(447,802)	(447,802)
-	(25,480)	(25,480)
-	(473,282)	(473,282)
<u>(275,030,627)</u>	<u>(473,282)</u>	<u>(275,503,909)</u>
91,352,766	-	91,352,766
50,749,952	-	50,749,952
1,106,787	-	1,106,787
109,867,950	-	109,867,950
747,109	-	747,109
525,344	-	525,344
(473,282)	473,282	-
<u>16,340,008</u>	<u>-</u>	<u>16,340,008</u>
<u>270,216,634</u>	<u>473,282</u>	<u>270,689,916</u>
(4,813,993)	-	(4,813,993)
(101,767,212)	-	(101,767,212)
<u>\$ (106,581,205)</u>	<u>\$ -</u>	<u>\$ (106,581,205)</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015**

	General Fund	Building Fund	Bond Interest and Redemption Fund
ASSETS			
Deposits and investments	\$ 42,625,174	\$ 78,569,746	\$ 33,484,669
Receivables	9,966,108	115,155,256	13,635,609
Due from other funds	1,479,781	-	-
Prepaid expenditures	115,501	-	-
Stores inventories	162,057	-	-
Total Assets	\$ 54,348,621	\$ 193,725,002	\$ 47,120,278
LIABILITIES AND FUND BALANCES			
Liabilities:			
Overdrafts	\$ -	\$ -	\$ -
Accounts payable	11,047,502	3,832,623	-
Due to other funds	-	-	-
Unearned revenue	1,445,279	-	-
Total Liabilities	12,492,781	3,832,623	-
Fund Balances:			
Nonspendable	280,058	-	-
Restricted	2,999,971	189,892,379	47,120,278
Committed	-	-	-
Assigned	-	-	-
Unassigned	38,575,811	-	-
Total Fund Balances	41,855,840	189,892,379	47,120,278
Total Liabilities and Fund Balances	\$ 54,348,621	\$ 193,725,002	\$ 47,120,278

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 21,112,408	\$ 175,791,997
797,621	139,554,594
-	1,479,781
-	115,501
-	162,057
<u>\$ 21,910,029</u>	<u>\$ 317,103,930</u>
\$ 3,399	\$ 3,399
256,705	15,136,830
512,562	512,562
93,778	1,539,057
<u>866,444</u>	<u>17,191,848</u>
-	280,058
20,755,189	260,767,817
286,832	286,832
1,564	1,564
-	38,575,811
<u>21,043,585</u>	<u>299,912,082</u>
<u>\$ 21,910,029</u>	<u>\$ 317,103,930</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

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

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

Total Fund Balance - Governmental Funds	\$ 299,912,082
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p>	
<p>The cost of capital assets is \$ 825,171,532</p> <p>Accumulated depreciation is <u>(204,946,528)</u></p>	<p>620,225,004</p>
<p>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.</p>	
	4,289,091
<p>Expenditures relating to contributions made to pension plans are expensed when paid, but are not recognized on the accrual basis in the governmental funds. However, in the government-wide financial statements, as required by GASB 68, they are deferred and expensed in the subsequent year.</p>	
	13,365,308
<p>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.</p>	
	(13,322,797)
<p>Excess contributions over the annual required contribution (ARC) to the other post-employment benefit trust are recognized as prepaid in the government-wide statements. On the governmental funds, the contributions are treated as expenditures.</p>	
	24,593,565
<p>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.</p>	
	8,231,526
<p>The difference between projected and actual pension plan investment earnings are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.</p>	
	(46,854,420)

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION (Continued)
JUNE 30, 2015**

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	(776,168,135)	
Premium	(41,978,937)	
OPEB revenue bonds	(30,405,000)	
Supplemental retirement plan	(1,076,485)	
Compensated absences (vacation)	(2,846,104)	
Net pension liability	(164,545,903)	(1,017,020,564)
Total Net Position - Governmental Activities		<u><u>\$ (106,581,205)</u></u>

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

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

	General Fund	Building Fund	Bond Interest and Redemption Fund
REVENUES			
Local control funding formula	\$ 194,360,357	\$ -	\$ -
Federal sources	12,687,747	-	-
Other State sources	16,824,651	57	378,427
Other local sources	12,385,866	482,737	50,424,161
Total Revenues	236,258,621	482,794	50,802,588
EXPENDITURES			
Current			
Instruction	142,506,289	-	-
Instruction-related activities:			
Supervision of instruction	13,809,297	-	-
Instructional library and technology	764,474	-	-
School site administration	15,064,684	-	-
Pupil services:			
Home-to-school transportation	6,498,055	-	-
Food services	69,312	-	-
All other pupil services	21,876,588	-	-
Administration:			
Data processing	3,137,075	-	-
All other administration	10,832,812	-	-
Maintenance and operations	18,540,464	1,000,000	-
Facility acquisition and construction	-	37,490,900	-
Ancillary services	2,333,636	-	-
Community services	40,197	-	-
Enterprise services	357,033	-	-
Other outgo	3,988,581	-	-
Debt service			
Principal	390,000	-	20,335,070
Interest and other	1,632,505	-	30,202,560
Total Expenditures	241,841,002	38,490,900	50,537,630
Excess (Deficiency) of Revenues Over Expenditures	(5,582,381)	(38,008,106)	264,958
Other Financing Sources (Uses)			
Transfers in	2,481,114	-	-
Other sources	-	116,200,000	15,017,037
Transfers out	(599,928)	-	-
Net Financing Sources (Uses)	1,881,186	116,200,000	15,017,037
NET CHANGE IN FUND BALANCES	(3,701,195)	78,191,894	15,281,995
Fund Balance - Beginning	45,557,035	111,700,485	31,838,283
Fund Balance - Ending	\$ 41,855,840	\$ 189,892,379	\$ 47,120,278

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

Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 194,360,357
1,519,110	14,206,857
1,770,081	18,973,216
3,088,303	66,381,067
<u>6,377,494</u>	<u>293,921,497</u>
1,486,769	143,993,058
463,913	14,273,210
34,018	798,492
518,830	15,583,514
-	6,498,055
-	69,312
23,167	21,899,755
-	3,137,075
17,905	10,850,717
403,821	19,944,285
546,757	38,037,657
-	2,333,636
-	40,197
-	357,033
-	3,988,581
-	20,725,070
-	31,835,065
<u>3,495,180</u>	<u>334,364,712</u>
<u>2,882,314</u>	<u>(40,443,215)</u>
26,646	2,507,760
-	131,217,037
<u>(2,481,114)</u>	<u>(3,081,042)</u>
<u>(2,454,468)</u>	<u>130,643,755</u>
427,846	90,200,540
20,615,739	209,711,542
<u>\$ 21,043,585</u>	<u>\$ 299,912,082</u>

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, 2015

Total Net Change in Fund Balances - Governmental Funds **\$ 90,200,540**

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	\$ 36,424,260	
Depreciation expense	<u>(23,189,177)</u>	13,235,083

Issuance of general obligations bonds, including \$15,017,037 premium, is recognized as a revenue on the statement of revenues, expenditures and changes in fund balances but is removed from the statement of activities. (131,217,037)

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	20,335,070	
OPEB revenue retirement	390,000	
Supplemental retirement payment	<u>1,076,485</u>	21,801,555

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. (2,613,049)

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. (843,924)

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, 2015**

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.	3,110,603
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.	(380,120)
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 \$179,976.	179,976
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.	540,874
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.	(118,662)
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.	1,290,168
Change in Net Position - Government-Wide Activities	<u>\$ (4,813,993)</u>

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, 2015**

	Business-Type Activities- Cafeteria Enterprise Fund	Governmental Activities- Internal Service Fund
ASSETS		
Current Assets		
Deposits and investments	\$ 739,513	\$ 7,062,434
Receivables	178,025	299
Prepaid expenses	-	1,583,385
Stores inventories	91,495	-
Other current assets	-	954,067
Total Current Assets	1,009,033	9,600,185
LIABILITIES		
Current Liabilities		
Accounts payable	41,814	37,441
Due to other funds	967,219	-
Claim liabilities	-	1,331,218
Total Current Liabilities	1,009,033	1,368,659
NET POSITION		
Restricted for insurance programs	-	8,231,526
Total Net Position	\$ -	\$ 8,231,526

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, 2015**

	Business-Type Activities- Cafeteria Enterprise Fund	Governmental Activities- Internal Service Fund
OPERATING REVENUES		
Food sales	\$ 1,393,671	\$ -
Other local revenue	19,472	2,008,301
Total Operating Revenues	<u>1,413,143</u>	<u>2,008,301</u>
OPERATING EXPENSES		
Payroll costs	4,134,375	540
Supplies and materials	1,917,653	85,427
Equipment rental	15,492	178,142
Claims	-	3,545,219
Other operating expenses	397,147	90,323
Total Operating Expenses	<u>6,464,667</u>	<u>3,899,651</u>
Operating Loss	<u>(5,051,524)</u>	<u>(1,891,350)</u>
NONOPERATING REVENUES		
Interest income	1	-
Federal grants	4,231,494	-
State grants	346,747	-
Indistrict contributions	-	3,081,518
Other transfer in	473,282	100,000
Total Nonoperating Revenues	<u>5,051,524</u>	<u>3,181,518</u>
Change in net position	-	1,290,168
Total Net Position - Beginning	-	6,941,358
Total Net Position - Ending	<u>\$ -</u>	<u>\$ 8,231,526</u>

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, 2015**

	Business- Type Activities- Cafeteria Enterprise Fund	Governmental Activities- Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from user charges	\$ 1,412,490	\$ 1,989,115
Cash payments to employees for services	(4,134,375)	(540)
Cash payments for insurance claims	-	(3,750,267)
Cash payments to suppliers for goods and services	(2,583,067)	(137,759)
Cash payments for equipment rental	(15,492)	(178,142)
Cash payments for other operating expenses	(397,147)	(90,323)
Net Cash Used For Operating Activities	<u>(5,717,591)</u>	<u>(2,167,916)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Operating grants and contributions	4,897,654	-
Cash received from General Fund	473,282	3,181,518
Net Cash Provided by Financing Activities	<u>5,370,936</u>	<u>3,181,518</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	1	-
Net Cash Provided by Investing Activities	<u>1</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(346,654)	1,013,602
Cash and cash equivalents - Beginning	1,086,167	6,048,832
Cash and cash equivalents - Ending	<u>\$ 739,513</u>	<u>\$ 7,062,434</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating loss	\$ (5,051,524)	\$ (1,891,350)
Changes in assets and liabilities:		
Receivables	(653)	(299)
Prepaid expense	-	(177,523)
Stores inventories	9,408	-
Other current assets	-	(18,887)
Accounts payable	(17,632)	(52,332)
Due to other funds	(657,190)	-
Claims liabilities	-	(27,525)
NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (5,717,591)</u>	<u>\$ (2,167,916)</u>

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2015**

	Retiree Benefit Trust Fund	Student Scholarship Trust Fund	Associated Student Body Agency Fund	Total Fiduciary Funds
ASSETS				
Deposits and investments	<u>\$ 28,910,644</u>	<u>\$ 693,219</u>	<u>\$ 1,939,255</u>	<u>\$ 31,543,118</u>
LIABILITIES				
Due to student groups	<u>-</u>	<u>-</u>	<u>1,939,255</u>	<u>1,939,255</u>
NET POSITION				
Restricted	<u>\$ 28,910,644</u>	<u>\$ 693,219</u>	<u>\$ -</u>	<u>\$ 29,603,863</u>

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015**

	Retiree Benefit Trust Fund	Student Scholarship Trust Fund	Total Fiduciary Funds
ADDITIONS			
Other local revenue	\$ -	\$ 1,000	\$ 1,000
Investment income	773,203	15,593	788,796
Total Additions	<u>773,203</u>	<u>16,593</u>	<u>789,796</u>
DEDUCTIONS			
Operating expenditures	42,540	-	42,540
Scholarships awarded	-	43,586	43,586
Total Deductions	<u>42,540</u>	<u>43,586</u>	<u>86,126</u>
Change in Net Position	730,663	(26,993)	703,670
Net Position - Beginning	<u>28,179,981</u>	<u>720,212</u>	<u>28,900,193</u>
Net Position - Ending	<u>\$ 28,910,644</u>	<u>\$ 693,219</u>	<u>\$ 29,603,863</u>

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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 special revenue fund definition. Specifically, Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects is not substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as an extension of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements.

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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 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.

Special Reserve Fund for Post-Employment Benefits The Special Reserve Fund for Post-Employment Benefits may be used pursuant to *California Education Code* Section 42840 to account for amounts the District has committed for the future cost of post-employment benefits but has not contributed irrevocably to a separate trust for the post-employment benefit plan.

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

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*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 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*California Education Code* Section 17070 et seq.).

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program 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.

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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 food service 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 net total position. The statement of cash flows provides information about how the District finances and meets 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. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Accrued Liabilities and Long-Term Obligations

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Fund Balances - Governmental Funds

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

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

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

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 on-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.

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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 and in district 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 non-operating revenue and expenses.

Interfund Activity

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating 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.

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

Property Tax

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

Change in Accounting Principles

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions 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 pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

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

The District has implemented the Provisions of this Statement for the year ended June 30, 2015.

As the result of implementing GASB Statement No. 68, the District has restated the beginning net position in the government wide Statement of Net Position, effectively decreasing net position as of July 1, 2014, by \$198,575,889. The decrease results from recognizing the net pension liability, net of related deferred outflows of resources.

New Accounting Pronouncements

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

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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 requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about post-employment benefits other than pensions (other post-employment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans 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 (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Post-Employment 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.

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

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 and 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 requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. Earlier implementation is permitted.

EAST SIDE UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental funds		
Deposits and investments	\$ 175,791,997	
Overdrafts	(3,399)	
Total Governmental funds		\$ 175,788,598
Proprietary funds		7,801,947
Fiduciary funds		31,543,118
Total Deposits and Investments		<u>\$ 215,133,663</u>

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

Cash on hand and in banks	\$ 7,360,778
Cash in revolving	2,600
Investments	207,770,285
Total Deposits and Investments	<u>\$ 215,133,663</u>

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.

EAST SIDE UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

General Authorizations

Limitations as they relate to interest 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	\$ 29,564,856	\$ 29,564,856	0.00
Santa Clara County Investment Pool	178,005,429	178,095,856	1.28
Certificate of Deposits	200,000	200,000	0.17
Total	<u>\$ 207,770,285</u>	<u>\$ 207,860,712</u>	

EAST SIDE UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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	\$ 29,564,856	\$ 29,564,856
Santa Clara County Investment Pool	178,095,856	178,095,856
Certificate of Deposits	200,000	200,000
Total	\$ 207,860,712	\$ 207,860,712

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, 2015, District bank balances of \$6,436,584 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 District.

NOTE 3 - RECEIVABLES

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

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds	Total Proprietary Funds
Federal Government						
Categorical Aid	\$ 3,353,807	\$ -	\$ -	\$ 690,533	\$ 4,044,340	\$ 165,425
State Government						
Apportionment	28,916	-	-	-	28,916	-
Categorical Aid	2,469,177	-	-	53,244	2,522,421	8,679
Lottery	2,413,231	-	-	-	2,413,231	-
Other State	-	-	-	-	-	-
Local Government						
Interest	40,325	116,243	-	32,073	188,641	-
Other Local Sources	1,660,652	115,039,013	13,635,609	21,771	130,357,045	4,220
Total	\$ 9,966,108	\$ 115,155,256	\$ 13,635,609	\$ 797,621	\$ 139,554,594	\$ 178,324

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 4 - CAPITAL ASSETS

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

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 25,442,454	\$ -	\$ -	\$ 25,442,454
Construction in progress	21,475,727	19,498,294	17,043,798	23,930,223
Total Capital Assets Not Being Depreciated	<u>46,918,181</u>	<u>19,498,294</u>	<u>17,043,798</u>	<u>49,372,677</u>
Capital Assets Being Depreciated:				
Buildings	628,990,959	27,247,904	-	656,238,863
Site improvement	83,909,852	3,339,435	-	87,249,287
Equipment	28,928,280	3,382,425	-	32,310,705
Total Capital Assets Being Depreciated	<u>741,829,091</u>	<u>33,969,764</u>	<u>-</u>	<u>775,798,855</u>
Total Capital Assets	<u>788,747,272</u>	<u>53,468,058</u>	<u>17,043,798</u>	<u>825,171,532</u>
Less Accumulated Depreciation:				
Buildings	148,148,334	17,342,956	-	165,491,290
Site improvement	13,983,278	3,453,185	-	17,436,463
Equipment	19,625,739	2,393,036	-	22,018,775
Total Accumulated Depreciation	<u>181,757,351</u>	<u>23,189,177</u>	<u>-</u>	<u>204,946,528</u>
Governmental Activities Capital Assets, Net	<u>\$ 606,989,921</u>	<u>\$ 30,278,881</u>	<u>\$ 17,043,798</u>	<u>\$ 620,225,004</u>

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

Governmental Activities	
Instruction	\$ 15,193,886
Supervision of instruction	1,506,083
Instructional library and technology	84,256
School site administration	1,644,343
Home to school transportation	685,664
All other pupil services	2,310,823
All other administration	246,242
Data processing	4,242
Enterprise Activities	37,673
Ancillary services	1,144,946
Community services	331,019
Total Depreciation Expenses, Governmental Activities	<u>\$ 23,189,177</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due From/Due To)

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

<u>Due To</u>	<u>Due From General Fund</u>
Non-Major Governmental Funds	\$ 512,562
Proprietary Funds	967,219
Total	<u>\$ 1,479,781</u>

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

Operating Transfers

Interfund transfers for the year ended June 30, 2015, consisted of the following:

<u>Transfer out</u>	<u>Transfer in</u>			
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Proprietary Funds</u>	<u>Total</u>
General Fund	\$ -	\$ 26,646	\$ 573,282	\$ 599,928
Non-Major Governmental Funds	2,481,114	-	-	2,481,114
Total	<u>\$ 2,481,114</u>	<u>\$ 26,646</u>	<u>\$ 573,282</u>	<u>\$ 3,081,042</u>

The General Fund transferred to Child Development Fund for contribution.	\$ 26,646
The Special Reserve Fund for Post-Employment Benefit transferred to General Fund to reimburse OPEB and Supplemental Early Retirement Plan (SERP) payment.	2,481,114
The General Fund transferred to Cafeteria Enterprise Fund for contribution.	473,282
The General Fund transferred to Self Insurance Fund for contribution.	100,000
	<u>\$ 3,081,042</u>

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 6 - DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources is a consumption of net position by the District that is applicable to a future reporting period. For governmental activities, the net investment in capital assets amount of (\$3,740,598) includes the effect of deferring the recognition of loss from advance refunding. The \$4,289,091 balance of the deferred outflows of resources at June 30, 2015 will be recognized as an expense and as a decrease in net position over the remaining life of related bonds. The District's current year pension contribution of \$13,365,308 was made after the pension liability measurement date, June 30, 2014. Therefore, the recognition of current year payment is deferred and will be recognized as a pension expense in fiscal year 2015-16 (see Note 14 for more information on pension expense).

Deferred outflow of resources at June 30, 2015 consisted of the following:

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Deferred charge on refunding	\$ 4,669,211	\$ -	\$ 380,120	\$ 4,289,091
Deferred outflows from pension activities	11,635,532	13,365,308	11,635,532	13,365,308
	<u>\$ 16,304,743</u>	<u>\$13,365,308</u>	<u>\$12,015,652</u>	<u>\$ 17,654,399</u>

NOTE 7 - ACCOUNTS PAYABLE

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

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds	Total Proprietary Funds
Vendor payables	\$ 1,473,050	\$ 3,831,000	\$ 215,441	\$ 5,519,491	\$ 79,255
State apportionment	3,041,509	-	14,520	3,056,029	-
Salaries and benefits	6,532,943	1,623	26,744	6,561,310	-
Total	<u>\$ 11,047,502</u>	<u>\$ 3,832,623</u>	<u>\$ 256,705</u>	<u>\$ 15,136,830</u>	<u>\$ 79,255</u>

NOTE 8 - UNEARNED REVENUE

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

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Federal financial assistance	\$ 52,140	\$ -	\$ 52,140
State categorical aid	86,579	45,932	132,511
Other local	1,306,560	47,846	1,354,406
Total	<u>\$ 1,445,279</u>	<u>\$ 93,778</u>	<u>\$ 1,539,057</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015	Due in One Year
General obligation					
bonds	\$ 677,690,156	\$ 118,813,049	\$ 20,335,070	\$ 776,168,135	\$ 22,793,043
Premium	30,072,503	15,017,037	3,110,603	41,978,937	3,110,603
OPEB revenue					
bonds	30,795,000	-	390,000	30,405,000	450,000
Supplemental					
retirement	2,152,970	-	1,076,485	1,076,485	1,076,485
Compensated					
absences (vacation)	3,026,080	-	179,976	2,846,104	-
Subtotal	<u>743,736,709</u>	<u>133,830,086</u>	<u>25,092,134</u>	<u>852,474,661</u>	<u>27,430,131</u>
Pension liabilities	<u>210,211,421</u>	<u>-</u>	<u>45,665,518</u>	<u>164,545,903</u>	<u>-</u>
Total	<u><u>\$ 953,948,130</u></u>	<u><u>\$ 133,830,086</u></u>	<u><u>\$ 70,757,652</u></u>	<u><u>\$ 1,017,020,564</u></u>	<u><u>\$ 27,430,131</u></u>

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.

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Title	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2014	Accreted/ Issued	Redeemed	Bonds Outstanding June 30, 2015
Current Interest Bond							
2003 Refunding	2027	2.0%-5.3%	\$ 97,160,000	\$ 67,485,000	\$ -	\$ 2,685,000	\$ 64,800,000
2003 Series F	2036	4.0%-5.0%	50,000,000	1,210,000	-	1,210,000	-
2006 Refunding	2025	4.0%-5.25%	42,665,000	41,275,000	-	1,660,000	39,615,000
2007 Refunding	2020	4.0%-5.0%	11,545,000	8,775,000	-	1,740,000	7,035,000
2008 Series A	2039	4.0%-5.0%	50,000,000	46,095,000	-	960,000	45,135,000
2002 Series H	2034	5.1%-6.0%	18,000,000	17,150,000	-	325,000	16,825,000
2008 Series B	2040	3.0%-5.0%	100,000,000	95,140,000	-	1,800,000	93,340,000
2010 Refunding	2028	2.0%-5.0%	46,160,000	41,140,000	-	2,305,000	38,835,000
2008 Series C	2026	4.0%	20,026,088	16,857,746	-	1,190,070	15,667,676
2008 Series D	2043	2.0%-5.0%	100,000,000	100,000,000	-	-	100,000,000
2011 Refunding	2022	3.8%-4.6%	20,135,000	18,870,000	-	2,215,000	16,655,000
2012 Refunding	2029	2.0%-5.0%	36,735,000	35,105,000	-	1,745,000	33,360,000
2013 Refunding	2030	3.0%-5.0%	88,145,000	88,145,000	-	580,000	87,565,000
2014 Refunding	2036	2.0%-5.0%	41,400,000	41,400,000	-	780,000	40,620,000
2012 Series A	2039	2.0%-5.0%	20,000,000	20,000,000	-	1,140,000	18,860,000
2012 Series B	2036	4.0%-5.0%	100,000,000	-	100,000,000	-	100,000,000
2014 Series A	2019	5.0%	162,000,000	-	16,200,000	-	16,200,000
Subtotal			<u>1,003,971,088</u>	<u>638,647,746</u>	<u>116,200,000</u>	<u>20,335,070</u>	<u>734,512,676</u>
Capital Appreciation							
2002 Series E	2020	4.2%-5.1%	29,999,529	10,760,294	770,160	-	11,530,454
2002 Series G	2032	4.6%-6.9%	19,997,739	28,282,116	1,842,889	-	30,125,005
Subtotal			<u>49,997,268</u>	<u>39,042,410</u>	<u>2,613,049</u>	<u>-</u>	<u>41,655,459</u>
Total General Obligation Bonds			<u>\$ 1,053,968,356</u>	<u>\$ 677,690,156</u>	<u>\$ 118,813,049</u>	<u>\$ 20,335,070</u>	<u>\$ 776,168,135</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Debt Service Requirements to Maturity

The bonds mature through 2043 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	\$ 21,789,020	\$ 32,529,011	\$ 54,318,031
2017	29,581,118	34,518,412	64,099,530
2018	32,779,322	33,953,629	66,732,951
2019	34,043,152	33,004,940	67,048,092
2020	29,610,722	31,930,240	61,540,962
2021-2025	203,344,776	127,251,715	330,596,491
2026-2030	179,233,343	83,040,545	262,273,888
2031-2035	123,310,432	53,865,709	177,176,141
2036-2040	85,690,000	13,769,458	99,459,458
2041-2043	20,855,000	1,440,113	22,295,113
Subtotal	<u>760,236,885</u>	<u>\$ 445,303,772</u>	<u>\$ 1,205,540,657</u>
Accretion to date	15,931,250		
Total	<u><u>\$ 776,168,135</u></u>		

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, 2014	Redeemed	Bonds Outstanding June 30, 2015
2036	5.18%-5.32%	<u>\$ 32,050,000</u>	<u>\$ 30,795,000</u>	<u>\$ 390,000</u>	<u>\$ 30,405,000</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

Debt Service Requirements to Maturity

The bonds mature through 2036 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2016	\$ 450,000	\$ 1,612,303	\$ 2,062,303
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
2021-2025	5,010,000	6,826,015	11,836,015
2026-2030	7,860,000	5,209,876	13,069,876
2031-2035	11,700,000	2,734,214	14,434,214
2036	2,905,000	154,546	3,059,546
Total	<u>\$ 30,405,000</u>	<u>\$ 22,718,878</u>	<u>\$ 53,123,878</u>

Compensated Absences (Vacation)

The long-term portion of compensated absences (vacation) for the District at June 30, 2015, amounted to \$2,846,104.

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 are payable at \$1,076,485 annually through 2016.

NOTE 10 –UNRESTRICTED NET POSITION AND FUND BALANCES

Unrestricted net position is composed of the following elements:

	Governmental Activities
General fund unrestricted fund balance	\$ 38,855,869
Adult Education fund committed fund balance	209,783
Deferred Maintenance fund committed fund balance	77,049
Special Reserve fund for Capital Outlay Projects assigned fund balance	1,564
Post-employment benefits contributions	24,593,565
Other post-employment benefit revenue bonds	(30,405,000)
Supplemental retirement	(1,076,485)
Compensated absences	(2,846,104)
Subtotal before GASB 68 implementation	<u>29,410,241</u>
Net deferred outflow (inflow) of resources from pension activities	(33,489,112)
Net pension liability	(164,545,903)
Total after GASB 68 implementation	<u>\$ (168,624,774)</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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	162,057	-	-	-	162,057
Prepaid expenditures	115,501	-	-	-	115,501
Total Nonspendable	<u>280,058</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>280,058</u>
Restricted					
Legally restricted	2,999,971	-	-	-	2,999,971
Capital projects	-	189,892,379	-	20,755,189	210,647,568
Debt services	-	-	47,120,278	-	47,120,278
Total Restricted	<u>2,999,971</u>	<u>189,892,379</u>	<u>47,120,278</u>	<u>20,755,189</u>	<u>260,767,817</u>
Committed					
Adult education program	-	-	-	209,783	209,783
Deferred maintenance	-	-	-	77,049	77,049
Total Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>286,832</u>	<u>286,832</u>
Assigned					
Capital projects	-	-	-	1,564	1,564
Total Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,564</u>	<u>1,564</u>
Unassigned					
Reserve for economic uncertainties	7,563,356	-	-	-	7,563,356
Remaining unassigned	31,012,455	-	-	-	31,012,455
Total Unassigned	<u>38,575,811</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,575,811</u>
Total	<u>\$ 41,855,840</u>	<u>\$ 189,892,379</u>	<u>\$ 47,120,278</u>	<u>\$ 21,043,585</u>	<u>\$ 299,912,082</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 11 – 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 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 Benefits 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 \$4,417,982.

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 thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB asset to the Plan:

Annual required contribution	\$ (3,727,387)
Interest on OPEB asset	1,235,611
Adjustment to annual required contribution	(2,044,868)
Annual OPEB cost	<u>(4,536,644)</u>
Contributions made	<u>4,417,982</u>
Decrease in net OPEB asset	(118,662)
Net OPEB asset, beginning of year	<u>24,712,227</u>
Net OPEB asset, end of year	<u>\$ 24,593,565</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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
2015	\$ 4,417,982	\$ 4,536,644	97%	\$ 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
2010	3,055,501	3,666,940	83%	19,822,733

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 June 30, 2015, was 26 years on a closed basis. As of June 30, 2015, the Retiree Benefit Trust Fund held net position in the amount of \$28,910,644, 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.

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

NOTE 12 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2015, 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 2015, 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, 2013 to June 30, 2015:

	<u>Health Benefits</u>
Liability Balance, July 1, 2013	\$ 1,618,968
Claims and changes in estimates	8,646,187
Claim payments	<u>(8,906,412)</u>
Liability Balance, June 30, 2014	1,358,743
Claims and changes in estimates	10,054,957
Claim payments	<u>(10,082,482)</u>
Liability Balance, June 30, 2015	<u>1,331,218</u>
Assets available to pay claims at June 30, 2015	<u><u>\$ 9,562,744</u></u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 13 - EMPLOYEE RETIREMENT SYSTEMS

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

The District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date — An Amendment of GASB Statement No. 68* for the fiscal year ended June 30, 2015. As a result, the District reported its proportionate share of the net pension liabilities, pension expense and deferred inflow of resources for each of the above plans and a deferred outflow of resources for each of the above plans as follows:

Pension Plan	Proportionate Share of Net Pension Liability	Deferred Outflow of Resources	Proportionate Share of Deferred Inflow of Resources	Proportionate Share of Pension Expense
CalSTRS	\$ 134,521,149	\$ 9,869,073	\$ 33,125,577	\$ 11,613,519
CalPERS	30,024,754	3,496,235	13,728,843	2,668,587
Total	<u>\$ 164,545,903</u>	<u>\$ 13,365,308</u>	<u>\$ 46,854,420</u>	<u>\$ 14,282,106</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

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

Benefits Provided

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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 plans.

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

	<u>STRP Defined Benefit Program</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	8.15%	8.15%
Required employee contribution rate	8.88%	8.88%
Required employer contribution rate	5.95%	5.95%
Required state contribution rate		

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with 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, 2015, are presented above and the District's total contributions were \$9,869,073.

EAST SIDE UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

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

District's proportionate share of net pension liability	\$ 134,521,149
State's proportionate share of the net pension liability associated with the District	81,229,677
Total net pension liability, including State share	<u>\$ 215,750,826</u>

The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.2302 percent.

For the year ended June 30, 2015, the District recognized its proportionate share of pension expense of \$11,613,519. In addition, the District recognized pension expense and revenue of \$5,507,987 for support provided by the State. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 9,869,073	\$ -
Net differences between projected and actual earnings on plan investments	-	33,125,577
Total	<u>\$ 9,869,073</u>	<u>\$ 33,125,577</u>

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

Fiscal Year	Amortization
2016	\$ 8,281,394
2017	8,281,394
2018	8,281,394
2019	8,281,395
Total	<u>\$ 33,125,577</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

Actuarial Methods and Assumptions

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

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

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on 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' 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 independently from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.6%)	\$ 209,683,290
Current discount rate (7.6%)	\$ 134,521,149
1% increase	\$ 71,849,583

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) [and the Safety Risk Pool] 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, 2013 annual actuarial valuation report(s), Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety, 2013. This (These) report(s) 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.

EAST SIDE UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

	<u>School Employer Pool (CalPERS)</u>	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.771%	11.771%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2015, are presented above and the total District contributions were \$3,496,235.

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$30,024,754. The net pension liability was measured as of June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2015, the District's proportion was 0.2645 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$2,668,587. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 3,496,235	\$ -
Adjustment to changes in proportionate share	-	3,412,001
Net differences between projected and actual earnings on plan investments	-	10,316,842
Total	<u>\$ 3,496,235</u>	<u>\$ 13,728,843</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2015

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

<u>Fiscal Year</u>	<u>Amortization</u>
2016	\$ 3,716,545
2017	3,716,545
2018	3,716,543
2019	2,579,210
Total	<u>\$ 13,728,843</u>

Actuarial Methods and Assumptions

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

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

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

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

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	5.25%
Global fixed income	19%	0.99%
Private equity	12%	6.83%
Real estate	11%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	3%	4.50%
Liquidity	2%	-0.55%

Discount Rate

The discount rate used to measure the total pension liability was 7.5 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 (6.5%)	\$ 52,670,272
Current discount rate (7.5%)	\$ 30,024,754
1% increase (8.5%)	\$ 11,102,140

Public Agency Retirement System (PARS)

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.

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

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 \$5,507,987, \$5,644,087, and \$5,020,000 (5.679, 5.541, and 4.855 percent of annual payroll) for the years ending June 30, 2015, 2014 and 2013, 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 14 - 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 (SCCSIG) 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, 2015, the District made payments of \$1,259,869 and \$2,615,424 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.

EAST SIDE UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2015.

Litigation

The District is 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, 2015.

Construction Commitments

As of June 30, 2015, the District had construction commitments in the amount of \$38,393,933.

NOTE 16 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. The restatement does not include deferred inflows of resources, as this information was not available. As a result, the effect on the 2014-15 fiscal year is as follows:

	Governmental Activities
Statement of Net Position	
Net Position - Beginning, July 1, 2014	\$ 96,808,677
Restatement related to pension activities	(198,575,889)
Net Position - Beginning as Restated, July 1, 2014	<u>\$ (101,767,212)</u>

REQUIRED SUPPLEMENTARY INFORMATION

EAST SIDE UNION HIGH SCHOOL DISTRICT

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

	Budgeted Amounts		Actual	Favorable (Unfavorable) Variances
	Original	Final		Final to Actual
REVENUES				
Local control funding formula	\$ 193,199,615	\$ 193,841,560	\$ 194,360,357	\$ 518,797
Federal sources	11,882,248	12,972,378	12,687,747	(284,631)
Other State sources	8,362,079	9,988,983	11,316,664	1,327,681
Other local sources	8,018,100	10,688,678	12,328,954	1,640,276
Total Revenues¹	221,462,042	227,491,599	230,693,722	3,202,123
EXPENDITURES				
Current				
Certificated salaries	111,218,191	113,547,092	113,163,933	383,159
Classified salaries	29,402,227	29,554,528	29,221,782	332,746
Employee benefits	60,953,324	59,671,272	59,171,211	500,061
Books and supplies	7,511,602	8,359,886	8,383,916	(24,030)
Services and operating expenditures	19,549,381	21,755,870	20,554,398	1,201,472
Other outgo	3,525,770	3,563,107	3,622,638	(59,531)
Capital outlay	109,000	184,596	192,632	(8,036)
Debt service - principal	390,000	390,000	390,000	-
Debt service - interest	1,632,505	1,632,505	1,632,505	-
Total Expenditures¹	234,292,000	238,658,856	236,333,015	2,325,841
Deficiency of Revenues Over Expenditures	(12,829,958)	(11,167,257)	(5,639,293)	5,527,964
Other Financing Sources (Uses):				
Transfers in	-	7,897,253	7,181,114	(716,139)
Transfers out	(600,000)	(1,506,701)	(599,928)	906,773
Net Financing Sources (Uses)¹	(600,000)	6,390,552	6,581,186	190,634
NET CHANGE IN FUND BALANCE	(13,429,958)	(4,776,705)	941,893	5,718,598
Fund Balance - Beginning	33,350,592	33,350,592	33,350,592	-
Fund Balance - Ending	\$ 19,920,634	\$ 28,573,887	34,292,485	\$ 5,718,598
Special Reserve - Other Than Capital Outlay Projects¹			7,563,355	
Fund Balance - Ending - GAAP			\$ 41,855,840	

¹ On behalf payments of \$5,507,987 are not included in the actual or budgeted revenues and expenditures. In addition, the Special Reserve Fund for Other Than Capital Outlay Projects revenues, expenditures and other financing sources and uses are excluded from this schedule.

EAST SIDE UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF OTHER POST-EMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2015**

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%

EAST SIDE UNION HIGH SCHOOL DISTRICT

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

	<u>2015</u>
CalSTRS	
District's proportion of the net pension liability	<u>0.2302%</u>
District's proportionate share of the net pension liability	\$ 134,521,149
State's proportionate share of the net pension liability associated with the District	<u>81,229,677</u>
Total	<u>\$ 215,750,826</u>
District's covered - employee payroll	<u>\$ 102,842,026</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>131%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>77%</u>
 CalPERS	
District's proportion of the net pension liability	<u>0.2645%</u>
District's proportionate share of the net pension liability	<u>\$ 30,024,754</u>
District's covered - employee payroll	<u>\$ 27,540,541</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>109%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>83%</u>

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

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

	<u>2015</u>
CalSTRS	
Contractually required contribution	\$ 9,869,073
Contributions in relation to the contractually required contribution	<u>9,869,073</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 111,165,728</u>
Contributions as a percentage of covered - employee payroll	<u>8.88%</u>
 CalPERS	
Contractually required contribution	\$ 3,496,235
Contributions in relation to the contractually required contribution	<u>3,496,235</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 29,702,119</u>
Contributions as a percentage of covered - employee payroll	<u>11.77%</u>

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

SUPPLEMENTARY INFORMATION

EAST SIDE UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Direct Grants:			
Title IV, Smaller Learning Communities	84.215L	²	\$ 205,162
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	4,083,848
Title I, Part C, Migrant Education	84.011	14326	312,388
Title II, Part A, Teacher Quality	84.367	14341	721,228
Title III, Limited English Proficiency	84.365	14346	\$ 486,678
Title III, Immigrant Education Program	84.365	15146	<u>90,110</u>
Total English Language Acquisition State Grants			576,788
Individuals with Disabilities Act:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	4,391,343
Mental Health Allocation Plan, Part B, Section 611	84.027A	14468	<u>350,055</u>
Total Special Education Cluster			4,741,398
Workability II, Transition Partnership	84.126	10006	374,362
Carl Perkins Act:			
Secondary, Section 131	84.048	14894	641,410
Adult, Section 132	84.048	14893	<u>13,968</u>
Total Carl Perkins Grant			655,378
Adult Education Act:			
Adult Secondary Education	84.002	13978	270,541
Adult Basic Education and English as Second Language	84.002A	14508	<u>513,055</u>
Total Adult Education Cluster			783,596
Total Pass-Through Grants			<u>12,248,986</u>
Total U.S. Department of Education			<u>12,454,148</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed-Through California Department of Education:			
Child Development Act:			
Head Start	93.600	10016	254,314
Medi-Cal Billing Option	93.778	10013	266,481
Federal Child Care, Center-Based	93.575	15136	481,200
Refugee Children Supplemental Assistance Program	93.576	24791	<u>20,920</u>
Total U.S. Department of Health and Human Services			<u>1,022,915</u>

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, 2015**

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:			
Basic Breakfast	10.553	13525	15,419
Needy Breakfast	10.553	13390	1,075,871
National School Lunch	10.555	13523	2,703,653
Meal Supplement	10.556	13568	39,282
Equipment Assistance	10.579	14906	69,312
Commodity Supplemental Food Program ¹	10.555	13534	<u>268,573</u>
Total Child Nutrition Cluster			4,172,110
Child and Adult Care Food Program	10.558	13393	<u>397,269</u>
Total U.S. Department of Agriculture			<u>4,569,379</u>
U.S. DEPARTMENT OF DEFENSE			
Direct Grants:			
Junior Reserve Officer Training Corp (JROTC)	12.357	²	<u>480,154</u>
Total Expenditures of Federal Awards			<u><u>\$ 18,526,596</u></u>

¹ Not recorded in the financial statements.

² These grants are direct grants. Pass-through entity identifying numbers are not available.

See accompanying note to supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2015

ORGANIZATION

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

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Van Le	President	2018
Lan Nguyen	Vice President	2016
Frank Biehl	Clerk	2018
J. Manual Herrera	Member	2018
Pattie Cortese	Member	2016

ADMINISTRATION

Chris D. Funk	Superintendent
Marcus Battle	Associate Superintendent of Business Services
Juan Cruz	Associate Superintendent of Instructional 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, 2015**

	Final Report	
	Second Period Report	Annual Report
9th Through 12th		
Regular ADA	22,384.71	22,235.21
Extended Year Special Education	45.73	45.73
Special Education, Nonpublic, Nonsectarian Schools	43.98	48.94
Extended Year Special Education, Nonpublic, Nonsectarian Schools	4.93	4.93
Total ADA	<u>22,479.35</u>	<u>22,334.81</u>

See accompanying note to supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

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

Grade Level	1986-87 Minutes Requirement	Reduced 1986-87 Minutes Requirement	2014-15 Actual Minutes	Number of Days		Status
				Traditional Calendar	Multitrack Calendar	
Grade 9	64,800	63,000	65,235	180	Not applicable	Complied
Grade 10	64,800	63,000	65,775	180	Not applicable	Complied
Grade 11	64,800	63,000	65,665	180	Not applicable	Complied
Grade 12	64,800	63,000	65,205	180	Not applicable	Complied

See accompanying note to supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

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

	General Fund	Special Reserve Other Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
FUND BALANCE						
Balance, June 30, 2015, Unaudited Actuals	\$ 34,292,485	\$ 7,563,355	\$ 74,854,379	\$ 33,503,087	\$ 20,259,524	\$ 170,472,830
As required by GASB Statement No. 54, the District consolidated Fund 17, Special Reserve Fund for Other Than Capital Outlay into General Fund	7,563,355	(7,563,355)	-	-	-	-
Increase in Investments	-	-	-	-	784,061	784,061
Increase in Receivables	-	-	115,038,000	13,617,191	-	128,655,191
Balance, June 30, 2015, Audited Financial Statements	<u>\$ 41,855,840</u>	<u>\$ -</u>	<u>\$ 189,892,379</u>	<u>\$ 47,120,278</u>	<u>\$ 21,043,585</u>	<u>\$ 299,912,082</u>

See accompanying note to supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

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

	Budgeted 2016 ¹	Actual 2015	Actual 2014	Actual 2013
GENERAL FUND⁴				
Revenues	\$ 258,585,366	\$ 230,693,722	\$ 214,241,232	\$ 195,926,663
Other sources	-	7,181,114	6,903,132	1,000,000
Total Revenues and Other Sources	<u>258,585,366</u>	<u>237,874,836</u>	<u>221,144,364</u>	<u>196,926,663</u>
Expenditures	252,960,549	236,333,015	216,137,590	194,932,926
Other uses and transfers out	1,138,484	599,928	516,364	738,165
Total Expenditures and Other Uses	<u>254,099,033</u>	<u>236,932,943</u>	<u>216,653,954</u>	<u>195,671,091</u>
Increase In Fund Balance	\$ 4,486,333	\$ 941,893	\$ 4,490,410	\$ 1,255,572
Ending Fund Balance	<u>\$ 38,778,818</u>	<u>\$ 34,292,485</u>	<u>\$ 33,350,592</u>	<u>\$ 28,860,182</u>
Available Reserves ²	<u>\$ 43,570,105</u>	<u>\$ 38,575,811</u>	<u>\$ 38,998,523</u>	<u>\$ 37,370,345</u>
Available Reserves as a percentage of total Outgo ³	17.15%	16.28%	18.00%	19.10%
Long-Term Obligations	<u>\$ 989,590,433</u>	<u>\$ 1,017,020,564</u>	<u>\$ 743,736,709</u>	<u>\$ 738,538,122</u>
Average Daily Attendance At 9-2	<u>22,029</u>	<u>22,479</u>	<u>22,371</u>	<u>22,524</u>

The General Fund balance has increased by \$5,432,303 over the past two years. The fiscal year 2015-2016 budget projects an increase of \$4,486,333. 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, and anticipates continuing to operate at a surplus during the 2015-2016 fiscal year. Total long-term obligations have increased by \$278,482,442 over the past two years. The increase in long-term obligations is mainly due to the \$116.2 million new general obligation bond issuance and \$164.5 million of pension liability recognition.

Average daily attendance has decreased by 45 over the past two years. A decrease of 450 ADA is anticipated during fiscal year 2015-2016.

¹ First Interim Budget 2016 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 On behalf payments of \$5,507,987, \$5,644,087, and \$5,020,000 for 2015, 2014 and 2013 have been excluded from actual amounts reported above and the calculation of available reserves percentage for fiscal years ending June 30, 2015, 2014, and 2013 respectively.

⁴ 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, 2015**

Name of Charter School	Included in Audit Report
ACE Charter High School	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, 2015**

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	\$ 89,352	\$ 185,165	\$ 103,091
Receivables	684,209	80,242	198
Total Assets	<u>\$ 773,561</u>	<u>\$ 265,407</u>	<u>\$ 103,289</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Overdrafts	\$ -	\$ -	\$ -
Accounts payable	51,216	171,629	26,240
Due to other funds	512,562	-	-
Unearned revenue	-	93,778	-
Total Liabilities	<u>563,778</u>	<u>265,407</u>	<u>26,240</u>
Fund Balances:			
Restricted	-	-	-
Committed	209,783	-	77,049
Assigned	-	-	-
Total Fund Balances	<u>209,783</u>	<u>-</u>	<u>77,049</u>
Total Liabilities and Fund Balances	<u>\$ 773,561</u>	<u>\$ 265,407</u>	<u>\$ 103,289</u>

See accompanying note to supplementary information.

Special Reserve Fund for Postemployment Benefits	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
\$ -	\$ 8,539,099	\$ 12,194,139	\$ 1,562	\$ 21,112,408
3,399	12,835	16,736	2	797,621
<u>\$ 3,399</u>	<u>\$ 8,551,934</u>	<u>\$ 12,210,875</u>	<u>\$ 1,564</u>	<u>\$ 21,910,029</u>
\$ 3,399	\$ -	\$ -	\$ -	\$ 3,399
-	2,940	4,680	-	256,705
-	-	-	-	512,562
-	-	-	-	93,778
<u>3,399</u>	<u>2,940</u>	<u>4,680</u>	<u>-</u>	<u>866,444</u>
-	8,548,994	12,206,195	-	20,755,189
-	-	-	-	286,832
-	-	-	1,564	1,564
<u>-</u>	<u>8,548,994</u>	<u>12,206,195</u>	<u>1,564</u>	<u>21,043,585</u>
<u>\$ 3,399</u>	<u>\$ 8,551,934</u>	<u>\$ 12,210,875</u>	<u>\$ 1,564</u>	<u>\$ 21,910,029</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015**

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund
REVENUES			
Federal sources	\$ 783,596	\$ 735,514	\$ -
Other State sources	331,300	654,720	-
Other local sources	1,921	62,561	1,246
Total Revenues	1,116,817	1,452,795	1,246
EXPENDITURES			
Current			
Instruction	258,518	1,228,251	-
Instruction-related activities:			
Supervision of instruction	460,516	3,397	-
Instructional library and technology	34,018	-	-
School site administration	337,482	181,348	-
All other pupil services	-	23,167	-
Administration:			
All other administration	17,905	-	-
Maintenance and operations	6,456	43,278	287,649
Facility acquisition and construction	-	-	36,868
Total Expenditures	1,114,895	1,479,441	324,517
Excess (Deficiency) of			
Revenues Over Expenditures	1,922	(26,646)	(323,271)
Other Financing Sources (Uses)			
Transfers in	-	26,646	-
Transfers out	-	-	-
Net Financing Sources (Uses)	-	26,646	-
NET CHANGE IN FUND BALANCES	1,922	-	(323,271)
Fund Balance - Beginning	207,861	-	400,320
Fund Balance - Ending	\$ 209,783	\$ -	\$ 77,049

See accompanying note to supplementary information.

Special Reserve Fund for Postemployment Benefits	Capital Facilities Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 1,519,110
-	-	784,061	-	1,770,081
12,749	2,953,639	56,181	6	3,088,303
12,749	2,953,639	840,242	6	6,377,494
-	-	-	-	1,486,769
-	-	-	-	463,913
-	-	-	-	34,018
-	-	-	-	518,830
-	-	-	-	23,167
-	-	-	-	17,905
-	66,438	-	-	403,821
-	357,336	152,553	-	546,757
-	423,774	152,553	-	3,495,180
12,749	2,529,865	687,689	6	2,882,314
-	-	-	-	26,646
(2,481,114)	-	-	-	(2,481,114)
(2,481,114)	-	-	-	(2,454,468)
(2,468,365)	2,529,865	687,689	6	427,846
2,468,365	6,019,129	11,518,506	1,558	20,615,739
\$ -	\$ 8,548,994	\$ 12,206,195	\$ 1,564	\$ 21,043,585

EAST SIDE UNION HIGH SCHOOL DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2015**

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 the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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		\$ 14,206,857
Total Federal resources reported on Business-type Activities		4,231,494
Federal subsidy for advance placement testing fees not reported on the SEFA	not available	(180,328)
Commodities not recorded on the financial statements	10.555	268,573
Total Schedule of Expenditures of Federal Awards		<u>\$ 18,526,596</u>

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2015

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis

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

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

The Combining Non-Major Governmental Funds 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, 2015, 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 15, 2015.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 to the financial statements, in 2015, the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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



Palo Alto, California
December 15, 2015



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

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 Circular A-133 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, 2015. 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 requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2015.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Palo Alto, California
December 15, 2015



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 *2014-2015 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, 2015.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the 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 *2014-2015 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, 2015.

Other Matters

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:

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

The District does not offer Kindergarten Program, Early Retirement Incentive, Juvenile Court Schools, After and Before School Education and Safety Program, and Charter School Program. Therefore, we did not perform procedures related to these programs.

Wassinek, Trine, Day & Co., LLP
Palo Alto, California
December 15, 2015

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

EAST SIDE UNION HIGH SCHOOL DISTRICT

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

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiencies identified?	<u>No</u>

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133? No

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027, 84.027A</u>	<u>Special Education Cluster</u>
<u>84.048</u>	<u>Carl Perkins Act</u>
<u>84.365</u>	<u>English Language Acquisition State Grants</u>
<u>12.357</u>	<u>Junior Reserve Officer Training Corp (JROTC)</u>

Dollar threshold used to distinguish between Type A and Type B programs: \$ 555,798
 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, 2015**

None reported.

EAST SIDE UNION HIGH SCHOOL DISTRICT

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

None reported.

EAST SIDE UNION HIGH SCHOOL DISTRICT

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

None reported.

EAST SIDE UNION HIGH SCHOOL DISTRICT

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

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