

**EAST SIDE UNION
HIGH SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
JUNE 30, 2013**

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, 2013, 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 *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-2013*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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, 2013, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the East Side Union High School District's basic financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

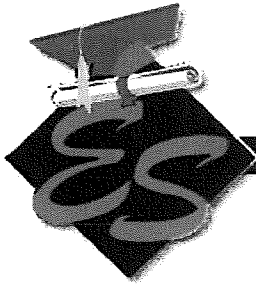
The Schedule of Expenditures of Federal Awards and other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2013, on our consideration of the East Side Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Side Union High School District's internal control over financial reporting and compliance.



Palo Alto, California
December 2, 2013



East Side Union High School District

830 N. Capitol Avenue • San José, California 95133-1316 • (408) 347-5000

Academic, personal and social success for each and every student.

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

This section of East Side Union High School District's (District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2013. 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 Number 34.

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, payables and receivables.

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

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

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

- The enrollment reported in the California Basic Educational Data System (CBEDS) decreased 391 to 23,686. P2 average daily attendance (ADA) decreased 292 to 22,524. Because of the decline in enrollment, the District's current year revenue limit funding was based on prior year's ADA net of charter school movement.
- The District received \$243, or a 3.24% increase per ADA, for a cost of living adjustment (COLA) to their revenue limit funding which is offset by 22.272 percent deficit factor or, \$39.9 million, to the revenue limit.
- The District received a slight increase (3.13% increase from the prior year) in Title I funding and the No Child Left-Behind Program Improvement.
- The District maintained class sizes similar to the previous year at 33 to 1 average.
- All employees agreed to have 5 furlough days to help the District budget.
- The District monitors the budget conservatively and has a \$25.8 million unrestricted fund balance, \$2.86 million restricted fund balance and \$12.1 million in General Reserve for economic uncertainties.
- The District paid off the Solar Panel loan in 2012-2013 which will create savings for general operations for the next 13 years.

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 similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account 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 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 will likely be an important component in this evaluation.

EAST SIDE UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

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 nine through twelve 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 it 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 U.S. 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, 2013

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for funds held on behalf of others, like our funds for associated student body activities and scholarships. The District's fiduciary activities are reported in *the Statements of Fiduciary Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$107.3 and \$102.5 million for the fiscal years ended June 30, 2013 and 2012, respectively. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limits the School 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	
	2013	2012	2013	2012
Current and other assets	\$ 258,037,918	\$ 337,429,420	\$ 403,760	\$ 685,916
Prepays for OPEB	23,473,983	21,734,515	-	-
Capital assets	592,605,787	549,754,236	-	-
Total Assets	874,117,688	908,918,171	403,760	685,916
Current liabilities	28,236,443	34,752,017	42,466	142,377
Long-term debt	738,538,122	771,645,165	-	-
Total Liabilities	766,774,565	806,397,182	42,466	142,377
Net position				
Net investment in capital assets	33,007,457	32,843,952	-	-
Restricted	40,818,746	40,573,224	-	-
Unrestricted	33,516,920	29,103,813	361,294	543,539
Total Net Position	\$ 107,343,123	\$ 102,520,989	\$ 361,294	\$ 543,539

EAST SIDE UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

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 it slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities		Business-Type Activities	
	2013	2012	2013	2012
Revenues				
Program revenues				
Charges for services	\$ 393,484	\$ 317,971	\$ 2,122,598	\$ 2,118,141
Operating grants and contributions	29,749,603	30,241,130	3,810,583	4,112,924
Capital grants and contributions	8,870,798	11,227,995	-	-
General revenues:				
State and federal sources	84,585,782	86,715,523	-	-
Taxes	132,239,335	125,752,794	-	-
Other general revenues	12,008,772	15,721,251	2	-
Total Revenues	267,847,774	269,976,664	5,933,183	6,231,065
Expenses				
Instruction related	168,389,308	172,261,798	-	-
Student support services	23,145,392	21,963,103	-	-
Administration	13,079,339	12,838,685	254,191	256,258
Maintenance and operations	20,838,638	16,990,834	-	-
Other outgo	974,421	429,257	-	-
Food Services	-	-	5,861,237	5,834,836
Interest and other	36,598,542	36,178,344	-	-
Total Expenses	263,025,640	260,662,021	6,115,428	6,091,094
Change in Net Position	\$ 4,822,134	\$ 9,314,643	\$ (182,245)	\$ 139,971

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 \$263.0 million. However, the amount that our taxpayers ultimately financed for these activities through local taxes and other unrestricted revenues was only \$224 million because the cost was paid by those who benefited from the programs or by other governments and organizations who subsidized certain programs with charges for services (0.4 million), grants and contributions (\$29.7 million), and Capital grants and contributions (8.9 million). We paid for the remaining "public benefit" portion of our governmental activities with \$132.8 million in taxes, and the remaining in State and Federal funds and with other revenues, like interest and general entitlements.

EAST SIDE UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

In Table 3, we have presented the net cost of each of the District's largest functions - regular program instruction and instruction related services, pupil services, maintenance and operations, administration and interest and other. As discussed above, 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

	<u>2013</u>	<u>2012</u>
Instruction and related services	\$ 139,378,596	\$ 139,473,982
Pupil services	15,571,725	15,155,157
General administration	12,225,664	12,022,216
Maintenance and operations	20,788,122	16,938,586
Interest	34,382,669	33,658,748
Other	1,664,979	1,626,236
Totals	<u>\$ 224,011,755</u>	<u>\$ 218,874,925</u>

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$226.0 million, which was an decrease of \$72.0 million from last year. The significant decrease in the combined fund balance was due to a decrease in the building fund balance from on-going construction activities related to the bond program.

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 on June 2013. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report).

The General Fund is the principal operating fund for the District. It is used to account for the ordinary operations of the District. The District received a 3.24% or \$243 per ADA for cost of living adjustment to their revenue limit (COLA). The District's revenue limit was also reduced by 22.272% or \$39.9 million as the deficit factor to the revenue limit. In addition, the District experienced a decline in its enrollment of 344.

EAST SIDE UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District governmental activities had \$592.6 million in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions and depreciation) of \$42.9 million, or 7.8 percent, from last year.

Table 4

	Governmental Activities	
	2013	2012
Land	\$ 25,442,454	\$ 25,442,454
Construction in progress	23,875,113	88,161,555
Buildings and improvements	675,526,209	549,589,190
Furniture and equipment	27,801,540	26,291,380
Total Assets	752,645,316	689,484,579
Less Accumulated Depreciation	160,039,529	139,730,343
Totals	\$ 592,605,787	\$ 549,754,236

Several capital projects are planned for the 2013-2014 and 2014-2015 years. We anticipate capital additions to be approximately \$110 million for the two upcoming years.

The following Measures G and E projects are planned for fiscal year 2013-14:

- Andrew Hill – Asphalt/Concrete and Roofing
- Andrew Hill – Interior Flooring and Door Replacements
- Andrew Hill – Energy Efficiency Projects (HVAC & Electrical)
- Andrew Hill – New Classroom Building
- Calero - Modernization
- Evergreen Valley – Miscellaneous Building Improvements
- Evergreen Valley – Paving, Fencing and Site Improvements
- Evergreen Valley – Baseball, softball Dugout and Tree Trimming
- Foothill – Roofing and interior Flooring
- Independence – Modernizing Building G & N1, N2
- Independence – Asphalt/Concrete and Interior Flooring
- Independence – Building B Modernization
- Independence – Energy Efficiency Projects (HVAC & Electrical)
- James Lick – Asphalt/Concrete, Roofing, Interior Flooring and Door Replacements
- James Lick – Energy Efficiency Projects (HVAC & Electrical)
- Mount Pleasant – Asphalt/Concrete, Roofing and Door Replacements
- Oak Grove – Asphalt/Concrete and Interior Flooring
- Oak Grove – Energy Efficiency Projects (HVAC & Electrical)
- Piedmont Hills – Asphalt/Concrete, Interior Flooring and Door Replacements
- Piedmont Hills – Modernization of Special Education Classroom
- Piedmont Hills – Energy Efficiency Projects (HVAC & Electrical)
- Phoenix – Science Classroom, outdoor learning and toilet building addition

EAST SIDE UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

- Santa Teresa – Asphalt/Concrete and Interior Flooring
- Santa Teresa – Modernize Unit 100, 200, 400, 700, 1300 & 1400
- Santa Teresa – Paving, Fencing and Site Improvements
- Silver Creek – Asphalt/Concrete, Interior Flooring and Door Replacements
- Silver Creek– Modernize and New Toilet Rooms (Student/Staff Buildings D, K, O, S)
- Silver Creek – Stadium Lighting
- Silver Creek – Energy Efficiency Projects (HVAC & Electrical)
- W.C. Overfelt – Modernize Special Education Building J
- W.C. Overfelt – Modernize Classroom Building D
- W.C. Overfelt – Asphalt, Roofing and Door Replacements
- W.C. Overfelt – New Exterior Painting-Building
- W.C. Overfelt – Pool Modernization
- W.C. Overfelt – Energy Efficiency Projects (HVAC & Electrical)
- Yerba Buena – Asphalt/Concrete and Interior Flooring
- Yerba Buena – Pool Modernization
- Yerba Buena – Energy Efficiency Projects (HVAC & Electrical)
- Santa Teresa – Energy Efficiency Projects (HVAC & Electrical)
- Santa Teresa – Painting of Exterior of School

The following Measures G, E & I projects are planned for fiscal year 2014-2015

- Andrew Hill – Pool Modernization
- James Lick – Pool Modernization
- Piedmont Hills – Pool Modernization
- Silver Creek– Pool Modernization
- Oak Grove – Modernize Building U
- Oak Grove – Theater Building I
- Independence – Modernization of Performing Arts
- Santa Teresa – Track Resurfacing & Stadium Lighting
- Santa Teresa – Pool Modernization

EAST SIDE UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Long-Term Obligations

Table 5

	2013	2012
	Governmental Activities	Governmental Activities
General obligation bonds	\$ 679,895,483	\$ 695,367,620
Premium	25,920,721	27,533,551
Defeasance costs	(5,049,331)	(5,429,451)
OPEB revenue bond	31,125,000	31,405,000
Supplemental Retirement Plan	3,229,455	4,305,940
Equipment Loan	-	14,916,793
Accumulated vacation - net	3,416,794	3,545,712
Totals	<u>\$ 738,538,122</u>	<u>\$ 771,645,165</u>

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 \$738.5 million is below the statutorily imposed limit.

Other obligations include compensated absences payable, supplemental retirement obligations and equipment loans. We present more detailed information regarding our long-term liabilities in Note 8 of the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2012-2013 ARE NOTED BELOW:

The District showed the largest California Standards Test (CST) gains in English Language Arts. The District showed consistent increases in the number of 9th grade students testing in Geometry and Biology and decreases in the number of students testing in Integrated Science and Algebra 1. The District showed a small gain in the percent of students passing the Math Portion of the CAHSEE which is slightly higher than the State. The District has increased the Academic Performance Index (API) each year. The 2012/13 district API increased 4 points maintaining a trend of growth. East Side met the AYP graduation rate target for all numerically significant subgroups. For EAP – Early Assessment Program test - East Side has shown gains in the percent of students scoring “college Ready” in Math consistently over the last 4 years as well as the percent of students scoring “Conditionally Ready” while the percent of students scoring “College Ready” in English increased by 5% which breaks a trend of no improvement for the past three years.

EAST SIDE UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For 2013-14 the District budget is funded with LCFF (Local Control Funding Formula) to replace the traditional revenue limit and eliminate some of the Tier III State Funding Sources. The formula is comprised of a base grant, supplemental grant and concentration grant, if the unduplicated student-count percentage for ELL, foster youth and homeless youth is more than 55% of the entire population. The budget assumes an eight-year phase-in to incrementally close the gap between actual funding and the target level of funding. Transition to the LCFF would be based on Prop 98 growth and provide school districts, charter schools and county offices of education with a guarantee that no local educational agency (LEA) would receive less funding in 2013-14 and into the future than it did in 2012-13 with the traditional revenue limit model.

The District is still in the enrollment declining mode. The projected 2013-14 CBED enrollment is 23,565 that is 121 lower than 2012-13. The District may use the 2012-13 net adjusted P2 ADA 22,791 with the projection of 297 County Special Ed for the 2013-14 LCFF revenue calculation. The State approves to fund 11.78% toward the growth of the funding gap.

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 Chief Financial Officer, Business Services, at East Side Union High School District, 830 North Capitol Avenue, San Jose, California.

EAST SIDE UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Deposits and investments	\$ 220,422,076	\$ 770,102	\$ 221,192,178
Receivables	23,841,956	465,221	24,307,177
Internal balances	912,182	(912,182)	-
Deferred charges	10,977,143	-	10,977,143
Stores inventories	179,686	80,619	260,305
Other current assets	752,491	-	752,491
Postemployment benefits contributions	23,473,983	-	23,473,983
Capital assets not depreciated	49,317,567	-	49,317,567
Capital assets, net of accumulated depreciation	543,288,220	-	543,288,220
Total Assets	874,117,688	403,760	874,521,448
LIABILITIES			
Accounts payable	13,170,191	42,466	13,212,657
Interest payable	11,833,111	-	11,833,111
Deferred revenue	1,614,173	-	1,614,173
Claims liability	1,618,968	-	1,618,968
Current portion of long-term obligations	22,787,839	-	22,787,839
Noncurrent portion of long-term obligations	715,750,283	-	715,750,283
Total Liabilities	766,774,565	42,466	766,817,031
NET POSITION			
Net investment in capital assets	33,007,457	-	33,007,457
Restricted for:			
Debt service	28,997,845	-	28,997,845
Capital projects	4,310,762	-	4,310,762
Legally restricted	2,858,218	-	2,858,218
Self insurance	4,651,921	-	4,651,921
Unrestricted	33,516,920	361,294	33,878,214
Total Net Position	\$ 107,343,123	\$ 361,294	\$ 107,704,417

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction	\$ 140,866,931	\$ 54,727	\$ 12,502,867	\$ 8,870,798
Instruction-related activities:				
Supervision of instruction	12,557,921	8,130	6,767,564	-
Instructional library and technology	792,434	-	108,460	-
School site administration	14,172,022	595	697,571	-
Pupil services:				
Home-to-school transportation	5,579,818	292,350	1,481,403	-
All other pupil services	17,565,574	13,344	5,786,570	-
Administration:				
Data processing	3,080,657	-	-	-
All other administration	9,998,682	16,132	837,543	-
Plant services	20,838,638	1,122	49,394	-
Ancillary services	2,211,784	6,952	1,484,164	-
Community services	4,089	-	-	-
Interest on long-term obligations	34,382,669	-	-	-
Other outgo	974,421	132	34,067	-
Total Governmental Activities	263,025,640	393,484	29,749,603	8,870,798
Business-Type Activities				
Food services	5,861,237	2,034,371	3,652,193	-
Administration	254,191	88,227	158,390	-
Total Business-Type Activities	6,115,428	2,122,598	3,810,583	-
Total Primary Government	\$ 269,141,068	\$ 2,516,082	\$ 33,560,186	\$ 8,870,798

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
- Miscellaneous

Subtotal, General Revenues

Change in Net Position

- Net Position - Beginning
- Net Position - Ending

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

**Net (Expenses) Revenues and
Change in Net Position**

Governmental Activities	Business- Type Activities	Total
\$ (119,438,539)	\$ -	\$ (119,438,539)
(5,782,227)	-	(5,782,227)
(683,974)	-	(683,974)
(13,473,856)	-	(13,473,856)
(3,806,065)	-	(3,806,065)
(11,765,660)	-	(11,765,660)
(3,080,657)	-	(3,080,657)
(9,145,007)	-	(9,145,007)
(20,788,122)	-	(20,788,122)
(720,668)	-	(720,668)
(4,089)	-	(4,089)
(34,382,669)	-	(34,382,669)
(940,222)	-	(940,222)
<u>(224,011,755)</u>	<u>-</u>	<u>(224,011,755)</u>
-	(174,673)	(174,673)
-	(7,574)	(7,574)
<u>-</u>	<u>(182,247)</u>	<u>(182,247)</u>
<u>(224,011,755)</u>	<u>(182,247)</u>	<u>(224,194,002)</u>
85,955,930	-	85,955,930
46,077,693	-	46,077,693
205,712	-	205,712
84,585,782	-	84,585,782
1,410,916	-	1,410,916
118,295	2	118,297
10,479,561	-	10,479,561
<u>228,833,889</u>	<u>2</u>	<u>228,833,891</u>
4,822,134	(182,245)	4,639,889
102,520,989	543,539	103,064,528
<u>\$ 107,343,123</u>	<u>\$ 361,294</u>	<u>\$ 107,704,417</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2013**

	<u>General Fund</u>	<u>Building Fund</u>	<u>Bond Interest and Redemption Fund</u>
ASSETS			
Deposits and investments	\$ 30,229,145	\$ 132,515,817	\$ 29,843,411
Receivables	20,088,761	183,018	10,402
Due from other funds	1,822,171	-	-
Stores inventories	179,686	-	-
Total Assets	<u>\$ 52,319,763</u>	<u>\$ 132,698,835</u>	<u>\$ 29,853,813</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 9,800,597	\$ 3,087,837	\$ -
Due to other funds	-	145,478	-
Deferred revenue	1,503,827	-	-
Total Liabilities	<u>11,304,424</u>	<u>3,233,315</u>	<u>-</u>
Fund Balances:			
Nonspendable	182,186	-	-
Restricted	2,858,218	129,465,520	29,853,813
Committed	-	-	-
Assigned	604,590	-	-
Unassigned	37,370,345	-	-
Total Fund Balances	<u>41,015,339</u>	<u>129,465,520</u>	<u>29,853,813</u>
Total Liabilities and Fund Balances	<u>\$ 52,319,763</u>	<u>\$ 132,698,835</u>	<u>\$ 29,853,813</u>

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

Non Major Governmental Funds	Total Governmental Funds
\$ 23,499,653	\$ 216,088,026
3,180,314	23,462,495
-	1,822,171
-	179,686
<u>\$ 26,679,967</u>	<u>\$ 241,552,378</u>
\$ 134,260	\$ 13,022,694
764,511	909,989
110,346	1,614,173
<u>1,009,117</u>	<u>15,546,856</u>
-	182,186
16,013,785	178,191,336
9,655,514	9,655,514
1,551	606,141
-	37,370,345
<u>25,670,850</u>	<u>226,005,522</u>
<u>\$ 26,679,967</u>	<u>\$ 241,552,378</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013**

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

Total Fund Balance - Governmental Funds	\$ 226,005,522
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
The cost of capital assets is	\$ 752,645,316
Accumulated depreciation is	<u>(160,039,529)</u> 592,605,787
Debt issuance costs are expensed in the governmental funds. On the government-wide statements, they are deferred and amortized over the life of the related debt.	10,977,143
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.	(11,833,111)
Excess contributions over the annual required contribution (ARC) to the other post-employment benefit trust are recognized as a prepaid in the government-wide statements. On the governmental funds, the contributions are treated as expenditures.	23,473,983
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.	4,651,921
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:	
Bonds payable	679,895,483
Defeasance cost	(5,049,331)
Premium	25,920,721
OPEB revenue bonds	31,125,000
Retiree incentive	3,229,455
Compensated absences (vacations)	<u>3,416,794</u> (738,538,122)
Total Net Position - Governmental Activities	<u>\$ 107,343,123</u>

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

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EAST SIDE UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Building Fund	Bond Interest and Redemption Fund
REVENUES			
Revenue limit sources	\$ 139,251,385	\$ -	\$ -
Federal sources	10,947,237	-	-
Other State sources	37,320,298	-	415,170
Other local sources	13,490,501	966,858	45,719,241
Total Revenues	201,009,421	966,858	46,134,411
EXPENDITURES			
Current			
Instruction	125,721,556	-	-
Instruction-related activities:			
Supervision of instruction	10,881,322	-	-
Instructional library, media and technology	674,029	-	-
School site administration	10,776,723	-	-
Pupil services:			
Home-to-school transportation	5,042,426	-	-
All other pupil services	15,789,282	-	-
Administration:			
Data processing	2,783,959	-	-
All other administration	8,882,600	-	-
Plant services	14,980,043	-	-
Facility acquisition and construction	-	66,622,725	-
Ancillary services	1,998,767	-	-
Community services	3,695	-	-
Other outgo	474,421	-	-
Debt service			
Principal	280,000	-	20,374,601
Interest and other	1,664,103	-	26,932,416
Total Expenditures	199,952,926	66,622,725	47,307,017
Excess (Deficiency) of Revenues Over Expenditures	1,056,495	(65,655,867)	(1,172,606)
Other Financing Sources (Uses)			
Transfers in	1,000,000	-	-
Transfers out	(738,165)	-	-
Net Financing Sources (Uses)	261,835	-	-
NET CHANGE IN FUND BALANCES	1,318,330	(65,655,867)	(1,172,606)
Fund Balance - Beginning	39,697,009	195,121,387	31,026,419
Fund Balance - Ending	\$ 41,015,339	\$ 129,465,520	\$ 29,853,813

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 139,251,385
1,365,635	12,312,872
16,242,586	53,978,054
2,128,865	62,305,465
<u>19,737,086</u>	<u>267,847,776</u>
4,042,216	129,763,772
467,146	11,348,468
42,086	716,115
2,030,392	12,807,115
-	5,042,426
84,552	15,873,834
-	2,783,959
247,774	9,130,374
706,085	15,686,128
1,690,522	68,313,247
-	1,998,767
-	3,695
-	474,421
14,916,793	35,571,394
961,527	29,558,046
<u>25,189,093</u>	<u>339,071,761</u>
<u>(5,452,007)</u>	<u>(71,223,985)</u>
-	1,000,000
<u>(1,000,000)</u>	<u>(1,738,165)</u>
<u>(1,000,000)</u>	<u>(738,165)</u>
<u>(6,452,007)</u>	<u>(71,962,150)</u>
32,122,857	297,967,672
<u>\$ 25,670,850</u>	<u>\$ 226,005,522</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, 2013

Total Net Change in Fund Balances - Governmental Funds **\$ (71,962,150)**

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	\$ 63,160,737	
Depreciation expense	<u>(20,309,186)</u>	42,851,551

In the statement of activities, certain operating expenses - compensated absences (vacations) 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 \$128,918.

128,918

Amortization of bond defeasance cost is not recognized in the governmental funds. In the government-wide statements, it is capitalized and amortized over the life of the related bond.

(380,120)

Bond issuance costs paid for the issuance of bonds are expenditures in the governmental funds, but they are capitalized as a deferred charge in the statement of net position and amortized over the life of the bond in the statement of activities.

(614,834)

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.

1,612,830

Obligations related to the District's supplemental retirement plan is recorded as revenues on the statement of revenues, expenditures and changes in fund balances but is removed from the statement of activities and recognized as long-term debt on the statement of net position.

1,076,485

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.

(4,902,464)

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, 2013

The overfunded portion of the Other Postemployment Benefits Annual Required Contribution (ARC) is not recorded in the governmental funds. In the Statement of activities, the overfunded portion of the ARC is removed from expenses.		1,739,468
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 repayment for the year were as follows:		
General obligation bonds	20,374,601	
Equipment loans	14,916,793	
Other postemployment benefit bonds	<u>280,000</u>	35,571,394
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 due, 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 due. The additional interest reported in the statement of activities is the net result of these two factors.		(540,035)
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.		241,091
Change in Net Position - Government-Wide Activities		<u><u>\$ 4,822,134</u></u>

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENTS OF NET POSITION
JUNE 30, 2013**

	Business-Type Activities- Cafeteria Enterprise Fund	Governmental Activities - Internal Service Fund
ASSETS		
Current Assets		
Deposits and investments	\$ 770,102	\$ 4,334,050
Receivables	465,221	379,461
Prepaid expenses	-	952,384
Stores inventories	80,619	-
Other current assets	-	752,491
Total Current Assets	<u>1,315,942</u>	<u>6,418,386</u>
LIABILITIES		
Current Liabilities		
Accounts payable	42,466	147,497
Due to other funds	912,182	-
Claim liabilities	-	1,618,968
Total Current Liabilities	<u>954,648</u>	<u>1,766,465</u>
NET POSITION		
Restricted for stores and prepaids	-	952,384
Restricted for programs	361,294	3,699,537
Total Net Position	<u>\$ 361,294</u>	<u>\$ 4,651,921</u>

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, 2013**

	Business-Type Activities- Cafeteria Enterprise Fund	Governmental Activities - Internal Service Fund
OPERATING REVENUES		
Sales	\$ 2,122,599	\$ -
Other local revenue	40,425	1,076,463
Total Operating Revenues	<u>2,163,024</u>	<u>1,076,463</u>
OPERATING EXPENSES		
Payroll costs	3,832,542	-
Supplies and materials	1,978,383	35,025
Equipment rental	18,625	875,043
Claims	-	3,243,213
Other operating cost	285,878	309,178
Total Operating Expenses	<u>6,115,428</u>	<u>4,462,459</u>
Operating Loss	<u>(3,952,404)</u>	<u>(3,385,996)</u>
NONOPERATING REVENUES		
Interest income	2	-
Federal grants	3,468,785	-
State grants	301,372	-
Indistrict contributions	-	3,388,922
Other transfer in	-	238,165
Total Nonoperating Revenues	<u>3,770,159</u>	<u>3,627,087</u>
Change in net position	(182,245)	241,091
Total Net Position - Beginning	<u>543,539</u>	<u>4,410,830</u>
Total Net Position - Ending	<u>\$ 361,294</u>	<u>\$ 4,651,921</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, 2013**

	Business- Type Activities- Cafeteria Enterprise Fund	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from user charges	\$ 2,218,788	\$ 4,703,550
Cash payments to employees for services	(3,832,542)	-
Cash payments for insurance claims	-	(3,643,484)
Cash payments to suppliers for goods and services	(2,323,369)	(1,219,246)
Net Cash Used For Operating Activities	<u>(3,937,123)</u>	<u>(159,180)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants and contributions	3,770,157	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	2	-
Net decrease in cash and cash equivalents	(166,964)	(159,180)
Cash and cash equivalents - Beginning	937,066	4,493,230
Cash and cash equivalents - Ending	<u>\$ 770,102</u>	<u>\$ 4,334,050</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:		
Operating loss	\$ (3,952,404)	\$ (3,385,996)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Indistrict contributions	-	3,627,087
Changes in assets and liabilities:		
Other assets	55,764	337,579
Claims liabilities	-	(861,504)
Inventories	(707)	-
Prepaid expense	-	(952,384)
Accounts payable	(99,911)	1,455,499
Due to other fund	60,135	(379,461)
NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (3,937,123)</u>	<u>\$ (159,180)</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, 2013**

	<u>Retiree Benefits</u>	<u>Scholarships</u>	<u>Student Bodies</u>
ASSETS			
Deposits and investments	\$ 23,948,324	\$ 641,692	\$ 1,705,782
LIABILITIES			
Due to student groups	-	-	\$ 1,705,782
NET POSITION			
Restricted	<u>\$ 23,948,324</u>	<u>\$ 641,692</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, 2013**

	<u>Retiree Benefits</u>	<u>Scholarships</u>
ADDITIONS		
Transfers In	\$ -	\$ 500,000
Investment income	2,871,465	75,385
Total Additions	<u>2,871,465</u>	<u>575,385</u>
DEDUCTIONS		
Operating expenditures	33,647	-
Scholarships awarded	-	2,875
Total Deductions	<u>33,647</u>	<u>2,875</u>
Change in Net Position	2,837,818	572,510
Net Position - Beginning	21,110,506	69,182
Net Position - Ending	<u>\$ 23,948,324</u>	<u>\$ 641,692</u>

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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 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 and 7 child care center.

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 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 (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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 (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

Special Reserve Fund for Postemployment Benefits The Special Reserve Fund for Postemployment Benefits may be used pursuant to *Education Code* Section 42840 to account for amounts the District has committed for the future cost of postemployment benefits but has not contributed irrevocably to a separate trust for the postemployment 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 (*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 *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), or 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 (*Education Code* Section 17070 et seq.).

State School Building Lease-Purchase Fund The State School Building Lease Purchase Fund is used primarily to account separately for State apportionments for the reconstruction, remodeling, or replacing of existing school buildings or the acquisition of new school sites and buildings, as provided in the Leroy F. Greene State School Building Lease-Purchase Law of 1976 (*Education Code* Section 17000 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 (*Education Code* Section 42840)

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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 student body activities (ASB). 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 service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include charges paid by the recipients of 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, 2013

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. Nonmajor 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 balance 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, 2013

Deferred Revenue Deferred 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 deferred revenue is removed from the combined balance sheet and revenue is recognized.

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 county treasury balances for purposes of the statement of cash flows.

Investments

Investments held at June 30, 2013, 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

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, 2013

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. 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

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, 2013

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.

Deferred Issuance Costs, Premiums, Discounts and Defeasance Costs

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs and defeasance costs are deferred and amortized over the life of the bonds using the straight line method.

Fund Balances - Governmental Funds

As of June 30, 2013, 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 assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

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

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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, or laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are food service sales 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 amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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 PERS have not been included as revenue and expenditures as required under generally accepted accounting principles.

Property Tax

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

Changes in Accounting Principles

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

The District has implemented the provisions of this Statement for the year ended June 30, 2013.

New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Early implementation is encouraged.

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.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employees whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).
- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2013 are classified in the accompanying financial statements as follows:

Governmental funds	\$ 216,088,026
Proprietary funds	5,104,152
Fiduciary funds	26,295,798
Total Deposits and Investments	<u>\$ 247,487,976</u>

Deposits and investments as of June 30, 2013, consist of the following:

Cash on hand and in banks	\$ 4,888,732
Cash in revolving	2,600
Investments	242,596,644
Total Deposits and Investments	<u>\$ 247,487,976</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 County Treasury - 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 (*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, 2013

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 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	Cost	Fair Value	Average Maturity in Years
Mutual Funds	\$ 24,523,709	\$ 24,523,709	0.00
County Pool	217,872,935	218,057,473	1.02
Certificate of Deposits	200,000	200,000	0.17
Total	<u>\$ 242,596,644</u>	<u>\$ 242,781,182</u>	

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of the year-end for each investment type.

Investment Type	Fair Value	Not Rated
Mutual Funds	\$ 24,523,709	\$ 24,523,709
County Pool	218,057,473	218,057,473
Certificate Deposit	200,000	200,000
Total	\$ 242,781,182	\$ 242,781,182

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 it. 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, 2013, District bank balances of \$3,840,358 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, 2013, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General	Building	Bond Interest and Redemption Fund	Nonmajor Funds	Total	Proprietary
Federal Government						
Categorical aid	\$ 1,052,823	\$ -	\$ -	\$ 722,179	\$ 1,775,002	\$ 414,985
State Government						
Apportionment	12,862,840	-	-	-	12,862,840	-
Categorical aid	3,174,937	-	-	33,969	3,208,906	34,477
Lottery	2,123,336	-	-	-	2,123,336	-
Interest	15,912	141,464	10,402	29,230	197,008	-
Other Local Sources	858,913	41,554	-	2,394,936	3,295,403	395,220
Total	\$ 20,088,761	\$ 183,018	\$ 10,402	\$ 3,180,314	\$ 23,462,495	\$ 844,682

EAST SIDE UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance June 30, 2012	Additions	Deductions	Balance June 30, 2013
Governmental Activities				
Capital Assets not being Depreciated:				
Land	\$ 25,442,454	\$ -	\$ -	\$ 25,442,454
Construction in Progress	88,161,555	20,725,513	85,011,955	23,875,113
Total Capital Assets not being Depreciated	<u>113,604,009</u>	<u>20,725,513</u>	<u>85,011,955</u>	<u>49,317,567</u>
Capital Assets being Depreciated:				
Buildings	494,816,954	102,607,191	-	597,424,145
Site Improvement	54,772,236	23,329,828	-	78,102,064
Equipment	26,291,380	1,510,160	-	27,801,540
Total Capital Assets being Depreciated	<u>575,880,570</u>	<u>127,447,179</u>	<u>-</u>	<u>703,327,749</u>
Total Capital Assets	<u>689,484,579</u>	<u>148,172,692</u>	<u>85,011,955</u>	<u>752,645,316</u>
Less Accumulated Depreciation:				
Buildings	116,101,544	15,451,604	-	131,553,148
Site Improvement	7,496,374	3,127,296	-	10,623,670
Equipment	16,132,425	1,730,286	-	17,862,711
Total Accumulated Depreciation	<u>139,730,343</u>	<u>20,309,186</u>	<u>-</u>	<u>160,039,529</u>
Governmental Activities Capital Assets, Net	<u>\$ 549,754,236</u>	<u>\$ 127,863,506</u>	<u>\$ 85,011,955</u>	<u>\$ 592,605,787</u>

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

Governmental Activities	
Instruction	\$ 13,294,458
Supervision of Instruction	1,209,453
Instructional Library and Media	76,319
School Site Administration	1,364,907
Home to School Transportation	537,392
Food Services	624,656
All Other Pupil Services	1,691,740
Ancillary Services	213,017
All General Administration	1,000,546
Data Processing Services	296,698
Total Depreciation Expenses, Governmental Activities	<u>\$ 20,309,186</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 5 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2013, between major, nonmajor governmental funds and enterprise funds are as follows:

Due From	Due To			Total
	Building Fund	Non-major Fund	Cafeteria Enterprise Fund	
General Fund	\$ 145,478	\$ 764,511	\$ 912,182	\$ 1,822,171

All balances resulted from the time lag 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, 2013, consisted of the following:

Transfer out	Transfer in			Total
	General Fund	Internal Service Fund	Scholarship Fund	
General Fund	\$ -	\$ 238,165	\$ 500,000	\$ 738,165
Nonmajor Governmental	1,000,000	-	-	1,000,000
Total	\$ 1,000,000	\$ 238,165	\$ 500,000	\$ 1,738,165

The General Fund transferred to Internal Service Fund for contribution.	\$ 238,165
The General Fund transferred to Scholarship Fund for moving the endowment donation to trust fund.	500,000
The Adult Education Fund transferred to the General Fund for support.	1,000,000
	<u>\$ 1,738,165</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, 2013

NOTE 6 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2013, consisted of the following:

	General	Building	Nonmajor Governmental	Total	Proprietary
Vendor payables	\$ 3,354,883	\$ 3,083,539	\$ 43,041	\$ 6,481,463	\$ 189,227
State apportionment	2,368,734	-	-	2,368,734	-
Salaries and benefits	4,076,980	4,298	91,219	4,172,497	736
Total	<u>\$ 9,800,597</u>	<u>\$ 3,087,837</u>	<u>\$ 134,260</u>	<u>\$ 13,022,694</u>	<u>\$ 189,963</u>

NOTE 7 – DEFERRED REVENUE

Deferred revenue at June 30, 2013, consists of the following:

	General	Nonmajor Governmental	Total
Federal financial assistance	\$ 219,572	\$ 34,955	\$ 254,527
State categorical aid	99,393	74,281	173,674
Other local	1,184,862	1,110	1,185,972
Total	<u>\$ 1,503,827</u>	<u>\$ 110,346</u>	<u>\$ 1,614,173</u>

NOTE 8 – LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Due in One Year
General obligation bonds	\$ 695,367,620	\$ 4,902,464	\$ 20,374,601	\$ 679,895,483	\$ 20,148,644
Premium	27,533,551	-	1,612,830	25,920,721	1,612,830
Defeasance costs	(5,429,451)	-	(380,120)	(5,049,331)	(380,120)
OPEB revenue bonds	31,405,000	-	280,000	31,125,000	330,000
Supplemental Retirement	4,305,940	-	1,076,485	3,229,455	1,076,485
Equipment Loans	14,916,793	-	14,916,793	-	-
Accumulated vacation - net	3,545,712	-	128,918	3,416,794	-
	<u>\$ 771,645,165</u>	<u>\$ 4,902,464</u>	<u>\$ 38,009,507</u>	<u>\$ 738,538,122</u>	<u>\$ 22,787,839</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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 equipment loan are made by the county school facilities fund with office of public school construction grant. Payments on the supplemental retirement plan are made by the general fund. The accrued vacation will be paid by the fund for which the employee worked.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Title	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2012	Accreted/ Issued	Redeemed	Bonds Outstanding June 30, 2013
Current Interest Bond							
1999 Refunding	2010	3.7%-4.8%	\$ 20,900,000	\$ 1,225,000	\$ -	\$ 1,225,000	\$ -
2003 Refunding	2022	3.0%-4.6%	36,795,000	3,900,000	-	1,905,000	1,995,000
2003 Refunding	2025	2.0%-5.3%	97,160,000	72,505,000	-	2,450,000	70,055,000
2002 Series C	2029	4.0%-5.0%	50,000,000	1,600,000	-	1,600,000	-
2002 Series D	2030	3.5%-5.0%	70,000,000	60,255,000	-	2,250,000	58,005,000
2003 Series F	2036	4.0%-5.0%	50,000,000	45,325,000	-	1,095,000	44,230,000
2006 Refunding	2036	4.0%-5.25%	42,665,000	42,665,000	-	-	42,665,000
2007 Refunding	2020	4.0%-5.0%	11,545,000	10,820,000	-	375,000	10,445,000
2008 Series A	2039	4.0%-5.0%	50,000,000	47,880,000	-	870,000	47,010,000
2002 Series H	2034	5.1%-6.0%	18,000,000	17,650,000	-	225,000	17,425,000
2008 Series B	2040	3.0%-5.0%	100,000,000	98,460,000	-	1,620,000	96,840,000
2010 Refunding	2028	2.0%-5.0%	46,160,000	45,545,000	-	2,175,000	43,370,000
2008 Series C	2026	4.0%	-	18,905,991	-	939,601	17,966,390
2008 Series D	2043	2.0%-5.0%	-	100,000,000	-	-	100,000,000
2011 Refunding	2022	3.8%-4.6%	-	20,085,000	-	90,000	19,995,000
2012 Refunding	2029	2.0%-5.0%	-	36,735,000	-	-	36,735,000
Sub-Total			593,225,000	623,555,991	-	16,819,601	606,736,390
Capital Appreciation							
1999 Series A	2025	5.3%-6.5%	25,499,993	3,555,000	-	3,555,000	-
2002 Series E	2030	4.2%-5.1%	29,999,529	42,699,534	3,605,134	-	46,304,668
2002 Series G	2032	4.6%-6.9%	19,997,739	25,557,095	1,297,330	-	26,854,425
Sub-Total			75,497,261	71,811,629	4,902,464	3,555,000	73,159,093
Total General Obligation Bonds			\$ 668,722,261	\$ 695,367,620	\$ 4,902,464	\$ 20,374,601	\$ 679,895,483

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

Debt Service Requirements to Maturity

The bonds mature through 2043 as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2013	\$ 20,148,644	\$ 28,022,959	\$ 48,171,603
2014	20,285,070	27,244,229	47,529,299
2015	21,758,043	26,404,335	48,162,378
2016	23,779,642	26,470,126	50,249,768
2017	25,523,164	25,730,947	51,254,111
2018-2022	156,542,115	117,738,939	274,281,054
2023-2027	164,787,453	88,183,831	252,971,284
2028-2032	100,719,528	82,983,473	183,703,001
2033-2037	74,610,000	20,305,423	94,915,423
2038-2043	48,580,000	4,574,269	53,154,269
Subtotal	<u>656,733,659</u>	<u>\$ 447,658,530</u>	<u>\$ 1,104,392,189</u>
Accretion to date	23,161,824		
Total	<u>\$ 679,895,483</u>		

Defeased Bonded Debt

The District has defeased various bond issues by creating separate irrevocable trust funds throughout the years. New debt has been issued and the proceeds have been used to purchase U. S. government securities which were placed in trust funds to pay off older debt. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore, removed as a liability from the District's Long Term Obligations. As of June 30, 2013, the total amount of defeased debt outstanding but removed from the Long-Term Obligations is \$22,215,533.

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

OPEB (Other Post Employment Benefit) Revenue Bond

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, 2012	Redeemed	Bonds Outstanding June 30, 2013
2036	5.18%-5.32%	\$ 32,050,000	\$ 31,405,000	\$ 280,000	\$ 31,125,000

Debt Service Requirements to Maturity

The bonds mature through 2036 as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 330,000	\$ 1,649,599	\$ 1,979,599
2015	390,000	1,632,505	2,022,505
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
2019-2023	4,095,000	7,279,888	11,374,888
2024-2028	6,615,000	5,945,898	12,560,898
2029-2033	10,030,000	3,844,498	13,874,498
2034-2036	8,120,000	884,982	9,004,982
Total	\$ 31,125,000	\$ 26,000,982	\$ 57,125,982

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2013, amounted to \$3,416,794.

Equipment Leases

The District financed its purchase of a Solar Panel installation. The District's liabilities for equipment loans are summarized below:

	Equipment Loans
Balance, July 1, 2012	\$ 14,916,793
Payments	14,916,793
Balance, June 30, 2013	\$ -

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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 a premium annuity contracts with United of Omaha. The contracts are payable annually as per the schedule shown below:

Year Ending June 30,	SERP Payment
2014	\$ 1,076,485
2015	1,076,485
2016	1,076,485
Total	<u>\$ 3,229,455</u>

NOTE 9 – FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable					
Revolving cash	\$ 2,500	\$ -	\$ -	\$ -	\$ 2,500
Stores inventories	179,686	-	-	-	179,686
Total Nonspendable	<u>182,186</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>182,186</u>
Restricted					
Legally restricted programs	2,858,218	-	-	-	2,858,218
Capital projects	-	129,465,520	-	16,013,785	145,479,305
Debt services	-	-	29,853,813	-	29,853,813
Total Restricted	<u>2,858,218</u>	<u>129,465,520</u>	<u>29,853,813</u>	<u>16,013,785</u>	<u>178,191,336</u>
Committed					
Adult education program	-	-	-	3,548,366	3,548,366
Deferred maintenance	-	-	-	163,192	163,192
Postemployment benefits	-	-	-	5,943,956	5,943,956
Total Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,655,514</u>	<u>9,655,514</u>
Assigned					
Capital projects	-	-	-	1,551	1,551
Sites	604,590	-	-	-	604,590
Total Assigned	<u>604,590</u>	<u>-</u>	<u>-</u>	<u>1,551</u>	<u>606,141</u>
Unassigned					
	37,370,345	-	-	-	37,370,345
Total	<u>\$ 41,015,339</u>	<u>\$ 129,465,520</u>	<u>\$ 29,853,813</u>	<u>\$ 25,670,850</u>	<u>\$ 226,005,522</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 10 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment 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 where as 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. Membership of the Plan based on actuarial information consists of 493 retirees and beneficiaries currently receiving benefits and 1,269 active plan members. The Plan is presented in these financial statements as the Retiree Benefits Trust Fund. Separate financial statements are not prepared for the Trust.

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 benefits 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 \$5,763,422.

Annual OPEB Cost and Net OPEB Asset

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. 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	\$ 3,549,128
Interest on OPEB asset	(847,995)
Adjustment to annual required contribution	<u>1,322,821</u>
Annual OPEB cost (expense)	4,023,954
Contributions made	<u>(5,763,422)</u>
Increase in net OPEB asset	1,739,468
Net OPEB, beginning of year	21,734,515
Net OPEB, end of year	<u>\$ 23,473,983</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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

Year Ended June 30,	Amount Contributed	Annual OPEB Cost	Percentage Contributed	Net OPEB Asset
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
2009	3,431,863	3,404,937	101%	20,434,172
2008	23,778,822	3,371,576	705%	20,407,246

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 Liability (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, 2012	\$ 26,861,167	\$ 55,163,201	\$ 28,302,034	48.69%	\$ 128,324,923	22%

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, 2012 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 employee benefit trust invested in a combined equity and fixed income portfolio. Healthcare cost trend rates ranged from an initial 7.5 percent to an ultimate rate 5.5 percent. The UAAL is being amortized as a level dollar of payroll. The remaining amortization period at June 30, 2013, was 26 years on a closed basis. As of June 30, 2013, the Trust held net position in the amount of \$23,948,324, all of which were invested with the Self Insured Schools of California (SISC) GASB 45 Trust, in which the majority of the amounts are invested in mutual funds.

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

NOTE 11 - 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, 2013, the District contracted with Northern California Regional Liability Excess Fund for property and liability insurance coverage. Settled claims have not exceeded this 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 2013, 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 insurance program from July 1, 2011 to June 30, 2013:

	<u>Health Benefits</u>
Liability Balance, July 1, 2011	\$ 1,273,116
Claims and changes in estimates	3,436,389
Claims payments	<u>(3,630,468)</u>
Liability Balance, June 30, 2012	1,079,037
Claims and changes in estimates	10,578,187
Claims payments	<u>(10,038,256)</u>
Liability Balance, June 30, 2013	1,618,968
Assets available to pay claims at June 30, 2013	<u>\$ 6,488,422</u>

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 12 – EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, CA 95605.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-2013 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2013, 2012, and 2011, were \$8,001,780, \$8,389,551, and \$8,534,707, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer 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. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-2013 was 11.417 percent of covered payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2013, 2012, and 2011, were \$3,124,966, \$2,977,235, and \$2,910,714, respectively, and equal 100 percent of the required contributions for each year.

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use the Social Security as its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 4.2 percent of his or her gross earnings to the pension plan.

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 \$5,020,000, \$4,414,446, and \$4,733,348, (5.176, 4.855 and 4.267 percent of annual payroll) for the years ending June 30, 2013, 2012 and 2011, 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 13 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWERS AUTHORITIES 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, 2013, the District made payments of \$1,149,869 and \$2,726,609 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, 2013

NOTE 14 - 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, 2013.

Litigation

The District is 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, 2013.

Construction Commitments

As of June 30, 2013, the District had construction commitments in the amount of \$26,204,713.

REQUIRED SUPPLEMENTARY INFORMATION

EAST SIDE UNION HIGH SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable) Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
REVENUES				
Revenue limit sources	\$ 138,685,004	\$ 139,349,288	\$ 139,251,385	\$ (97,903)
Federal sources	11,941,817	11,218,820	10,947,237	(271,583)
Other state sources	28,947,371	31,459,505	32,300,298	840,793
Other local sources	11,317,240	11,876,373	13,427,743	1,551,370
Total Revenues¹	<u>190,891,432</u>	<u>193,903,986</u>	<u>195,926,663</u>	<u>2,022,677</u>
EXPENDITURES				
Current				
Certificated salaries	96,706,461	96,211,654	96,531,130	(319,476)
Classified salaries	23,917,777	23,927,806	23,803,279	124,527
Employee benefits	53,118,828	52,403,395	47,329,383	5,074,012
Books and supplies	3,808,868	4,160,436	4,661,038	(500,602)
Services and operating expenditures	17,356,451	16,061,628	15,578,361	483,267
Other outgo	68,693	54,130	474,421	(530,454)
Capital outlay	131,633	(56,033)	4,611,211	(4,557,081)
Debt service - principal	-	-	280,000	(280,000)
Debt service - interest	-	-	1,664,103	(1,664,103)
Total Expenditures¹	<u>195,108,711</u>	<u>192,763,016</u>	<u>194,932,926</u>	<u>(2,169,910)</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>(4,217,279)</u>	<u>1,140,970</u>	<u>993,737</u>	<u>(147,233)</u>
Other Financing Sources (Uses):				
Transfers in	-	-	1,000,000	1,000,000
Transfers out	-	-	(738,165)	(738,165)
Net Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>261,835</u>	<u>261,835</u>
NET CHANGE IN FUND BALANCE	<u>(4,217,279)</u>	<u>1,140,970</u>	<u>1,255,572</u>	<u>114,602</u>
Fund Balance - Beginning	<u>27,604,610</u>	<u>27,604,610</u>	<u>27,604,610</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 23,387,331</u>	<u>\$ 28,745,580</u>	<u>28,860,182</u>	<u>\$ 114,602</u>
Special Reserve -Other than Capital Outlay			<u>12,155,157</u>	
Fund Balance - Ending-GAAP			<u>\$ 41,015,339</u>	

¹ On behalf payments of \$5,020,000 are not included in the actual or budgeted revenues and expenditures. In addition, the Special Reserve Fund for other than Capital Outlay revenues, expenditures and financing sources and uses are excluded from this schedule.

EAST SIDE UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2013**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (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, 2012	\$ 26,861,167	\$ 55,163,201	\$ 28,302,034	48.69%	\$ 128,324,923	22%
July 1, 2010	27,223,353	65,140,176	37,916,823	41.79%	131,629,079	29%
May 1, 2008	-	38,870,849	38,870,849	0.00%	157,647,780	25%

SUPPLEMENTARY INFORMATION

EAST SIDE UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through		Federal Expenditures
	Federal CFDA Number	Entity Identifying Number	
U.S. DEPARTMENT OF EDUCATION			
Direct Grants:			
Title IV, Smaller Learning Communities	84.215L	[2]	\$ 519,322
Title IV, Teach American History	84.215X	[2]	15,636
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	3,277,984
Title I, Part C, Migrant Education	84.011	14326	259,451
Title II, Part A, Teacher Quality	84.367	14341	780,941
Title III, Limited English Proficiency	84.365	14346	368,782
Individuals with Disabilities Act:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	3,707,804
California Preschool Instructional Network	84.173A	14530	2,642
Mental Health Allocation Plan, Part B, Section 611	84.027A	14468	195,486
Quality Assurance and Focused Monitoring	84.027A	13693	30,470
Workability II, Transition Partnership	84.158	10006	394,949
Carl Perkins Act:			
Technology Secondary II C, Section 131	84.048	14894	493,549
Postsecondary and Adult Section 132	84.048	14893	19,887
Adult Education Act:			
Adult Secondary Education	84.002	13978	148,390
Adult Basic Education and English as Second Language	84.002A	14508	571,321
Subtotal			<u>10,786,614</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Education (CDE):			
Child Development Act:			
Head Start	93.600	10016	144,844
Medi-Cal Billing Option	93.778	10013	259,292
Federal Child Care, Center-Based	93.575	15136	498,438
Refugee Children Supplemental Assistance Program	93.576	24791	95,565
Subtotal			<u>998,139</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, 2013**

U.S. DEPARTMENT OF AGRICULTURE

Passed through California Department of Education (CDE):

Child Nutrition Act:

Basic Breakfast	10.553	13525	13,596
Needy Breakfast	10.553	13390	953,772
National School Lunch	10.555	13523	2,451,149
Meal Supplement	10.556	13568	50,268
Commodity Supplemental Food Program ^[1]	10.555	^[2]	313,210
Subtotal			<u>3,781,995</u>

U.S. DEPARTMENT OF DEFENSE

Direct Grants:

Junior Reserve Officer Training Corp; JROTC	12.357	^[2]	528,119
Total			<u>\$ 16,094,867</u>

^[1] Not recorded in the financial statements.

^[2] These grants are direct grants. No pass-through entity identifying numbers are available.

See accompanying note to supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE

JUNE 30, 2013

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 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, three adult education sites, one independent study program, four continuation schools and eight child care centers.

BOARD OF TRUSTEES

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Frank Biehl	President	2014
J. Manual Herrera	Vice President	2014
Van Le	Clerk	2014
Magdalena Carrasco	Member	2016
Lan Nguyen	Member	2016

ADMINISTRATION

Chris D. Funk	Superintendent
Marcus Battle	Associate Superintendent of Business Services
Juan Cruz	Assistant Superintendent of Instructional Services
Cari Vaeth	Director of Human Resources

See accompanying note to supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2013**

	Amended Second Period Report	Annual Report
SECONDARY		
Regular classes	20,896	20,765
Continuation education	603	592
Home and hospital	26	30
Special education	999	996
Total Secondary	22,524	22,383

See accompanying note to supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2013

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>Reduced 1982-83 Actual Minutes</u>	<u>1986-87 Minutes Requirement</u>	<u>Reduced 1986-87 Minutes Requirement</u>	<u>2012-13 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Grade 9	61,893	60,174	64,800	63,000	63,410	175	Complied
Grade 10	61,893	60,174	64,800	63,000	63,410	175	Complied
Grade 11	61,893	60,174	64,800	63,000	63,410	175	Complied
Grade 12	61,893	60,174	64,800	63,000	63,410	175	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, 2013**

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	<u>General Fund</u>	<u>Special Reserve Other</u>
FUND BALANCE		
Balance, June 30, 2013, Unaudited Actuals	\$ 28,860,182	\$ 12,155,157
To conform with GASB 54, the District consolidated Fund 17, Special Reserve Fund for Other Than Capital Outlay into General fund.	<u>12,155,157</u>	<u>(12,155,157)</u>
Balance, June 30, 2013, Audited Financial Statement	<u>\$ 41,015,339</u>	<u>\$ -</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, 2013

	(Budget) 2014 ¹	2013	2012	2011
GENERAL FUND ⁴				
Revenues	\$ 197,811,853	\$ 195,926,663	\$ 198,476,177	\$ 204,374,702
Other sources	2,000,000	1,000,000	2,262,671	4,448,787
Total Revenues and Other Sources	199,811,853	196,926,663	200,738,848	208,823,489
Expenditures	201,183,978	194,932,926	196,186,959	194,686,432
Other uses and transfers out	100,000	738,165	2,924,212	-
Total Expenditures and Other Uses	201,283,978	195,671,091	199,111,171	194,686,432
INCREASE (DECREASE) IN FUND BALANCE	\$ (1,472,125)	\$ 1,255,572	\$ 1,627,677	\$ 14,137,057
ENDING FUND BALANCE	\$ 27,388,057	\$ 28,860,182	\$ 27,604,610	\$ 25,976,933
AVAILABLE RESERVES ²	\$ 36,928,825	\$ 37,370,345	\$ 36,884,533	\$ 34,207,840
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	18.35%	19.10%	18.52%	17.57%
LONG-TERM OBLIGATIONS AVERAGE DAILY	\$ 715,750,283	\$ 738,538,122	\$ 771,645,165	\$ 664,200,333
ATTENDANCE AT P-2	21,852	22,524	22,816	23,171

The General Fund balance has increased by \$2,883,249 over the past two years. The fiscal year 2013-2014 budget projects a decrease of \$1,472,125. 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 an operating surplus in the past three years, but anticipates incurring an operating deficit during the 2013-2014 fiscal year. Total long-term obligations have increased by \$74,337,789 over the past two years.

Average daily attendance has decreased by 647 over the past two years. A decrease of 672 ADA is anticipated during fiscal year 2013-2014.

¹ Budget 2014 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 \$5,020,000, \$4,944,305, and \$4,414,446 for 2013, 2012 and 2011 have been excluded from actual amounts reported above and the calculation of available reserves percentage for fiscal years ending June 30, 2013, 2012, and 2011 respectively.

⁴ General Fund amounts do not include activity related to the consolidation of the Special Reserve Other Than Capital Outlay fund.

See accompanying note to supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Name of Charter School</u>	<u>Included in Audit Report</u>
KIPP San Jose Collegiate	No
Escuela Popular Accelerated Family Learning	No
Escuela Popular/Center for Training & Careers Family Learning	No
Latino College Preparatory Academy	No
San Jose Conservation Corps Charter	No
Summit Rainier	No
ACE Charter High School	No

See accompanying note to supplementary information.

EAST SIDE UNION HIGH SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013**

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	\$ 516,405	\$ 872,638	\$ 163,032
Receivables	3,145,030	7,214	160
Total Assets	<u>\$ 3,661,435</u>	<u>\$ 879,852</u>	<u>\$ 163,192</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 112,169	\$ 5,895	\$ -
Due to other funds	-	764,511	-
Deferred revenue	900	109,446	-
Total Liabilities	<u>113,069</u>	<u>879,852</u>	<u>-</u>
Fund Balances:			
Restricted	-	-	-
Committed	3,548,366	-	163,192
Assigned	-	-	-
Total Fund Balances	<u>3,548,366</u>	<u>-</u>	<u>163,192</u>
Total Liabilities and Fund Balances	<u>\$ 3,661,435</u>	<u>\$ 879,852</u>	<u>\$ 163,192</u>

See accompanying note to supplementary information.

Retiree Benefits Special Reserve Fund	Capital Facilities Fund	State School Building Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Total Non-Major Governmental Funds
\$ 5,938,262	\$ 4,317,096	\$ (5)	\$ 11,690,676	\$ 1,549	\$ 23,499,653
5,694	4,067	5	18,142	2	3,180,314
<u>\$ 5,943,956</u>	<u>\$ 4,321,163</u>	<u>\$ -</u>	<u>\$ 11,708,818</u>	<u>\$ 1,551</u>	<u>\$ 26,679,967</u>
\$ -	\$ 10,401	\$ -	\$ 5,795	\$ -	\$ 134,260
-	-	-	-	-	764,511
-	-	-	-	-	110,346
-	10,401	-	5,795	-	1,009,117
-	4,310,762	-	11,703,023	-	16,013,785
5,943,956	-	-	-	-	9,655,514
-	-	-	-	1,551	1,551
<u>5,943,956</u>	<u>4,310,762</u>	<u>-</u>	<u>11,703,023</u>	<u>1,551</u>	<u>25,670,850</u>
<u>\$ 5,943,956</u>	<u>\$ 4,321,163</u>	<u>\$ -</u>	<u>\$ 11,708,818</u>	<u>\$ 1,551</u>	<u>\$ 26,679,967</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, 2013**

	Adult Education Fund	Child Development Fund	Deferred Maintenance Fund
REVENUES			
Federal sources	\$ 719,711	\$ 645,924	\$ -
Other State sources	6,672,880	815,876	-
Other local sources	275,945	166,947	922
Total Revenues	7,668,536	1,628,747	922
EXPENDITURES			
Current			
Instruction	2,618,105	1,424,111	-
Instruction-related activities:			
Supervision of instruction	465,219	1,927	-
Instructional library and technology	42,086	-	-
School site administration	1,887,393	142,999	-
Pupil services:			
All other pupil services	74,139	10,413	-
Administration:			
All other administration	247,774	-	-
Plant services	358,091	49,297	8,700
Facility acquisition and construction	-	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	5,692,807	1,628,747	8,700
Excess (Deficiency) of Revenues Over Expenditures	1,975,729	-	(7,778)
Other Financing Sources (Uses)			
Transfers out	(1,000,000)	-	-
Net Financing Sources (Uses)	(1,000,000)	-	-
NET CHANGE IN FUND BALANCES	975,729	-	(7,778)
Fund Balance - Beginning	2,572,637	-	170,970
Fund Balance - Ending	\$ 3,548,366	\$ -	\$ 163,192

See accompanying note to supplementary information.

Retiree Benefit Special Reserve Fund	Capital Facilities Fund	State School Building Fund	County School Facilities Fund	Special Reserve Capital Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,365,635
-	-	-	8,753,830	-	16,242,586
193,295	1,374,779	28	116,940	9	2,128,865
193,295	1,374,779	28	8,870,770	9	19,737,086
-	-	-	-	-	4,042,216
-	-	-	-	-	467,146
-	-	-	-	-	42,086
-	-	-	-	-	2,030,392
-	-	-	-	-	84,552
-	-	-	-	-	247,774
-	289,997	-	-	-	706,085
-	44,225	28	1,646,269	-	1,690,522
-	-	-	14,916,793	-	14,916,793
-	-	-	961,527	-	961,527
-	334,222	28	17,524,589	-	25,189,093
193,295	1,040,557	-	(8,653,819)	9	(5,452,007)
-	-	-	-	-	(1,000,000)
-	-	-	-	-	(1,000,000)
193,295	1,040,557	-	(8,653,819)	9	(6,452,007)
5,750,661	3,270,205	-	20,356,842	1,542	32,122,857
\$ 5,943,956	\$ 4,310,762	\$ -	\$ 11,703,023	\$ 1,551	\$ 25,670,850

EAST SIDE UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2013

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

Local Education Agency Organization Structure

This schedule provides information about the District's schools operated, 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 schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the 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 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 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.

EAST SIDE UNION HIGH SCHOOL DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2013**

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 is 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, 2013, 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 6, 2013.

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 opinion 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 6, 2013



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR 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

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, 2013. 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, 2013.

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 6, 2013



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 *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2012-2013* that could have a direct and material effect on each of East Side Union High School District's State government programs as noted below for the year ended June 30, 2013.

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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-2013*. 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 opinion. Our audit does not provide a legal determination of East Side Union High School District's compliance with those requirements.

Basis for Qualified Opinion on School Accountability Report Card

As described in the accompanying schedule of findings and questioned costs, East Side Union High School District did not comply with requirements regarding inconsistent information between Facility Inspection Tool and School Accountability report Card, see 2013-1. Compliance with such requirements is necessary, in our opinion, for East Side Union High School District to comply with the requirements applicable to that program.

Qualified Opinion

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, East Side Union High School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2013.

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 in Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Not Applicable
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Class Size Reduction Program (including in charter schools):		
General Requirements	7	Not Applicable
Option One Classes	3	Not Applicable
Option Two Classes	4	Not Applicable
Districts or Charter Schools With Only One School Serving K-3	4	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Not Applicable
After School	5	Not Applicable
Before School	6	Not Applicable
Charter Schools:		
Contemporaneous Records of Attendance	1	Not Applicable
Mode of Instruction	1	Not Applicable
Non Classroom-Based Instruction/Independent Study	15	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	3	Not Applicable
Annual Instruction Minutes Classroom-Based	4	Not Applicable

Wassinek, Trine, Day & Co., LLP

Palo Alto, California
December 6, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

EAST SIDE UNION HIGH SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2013

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>No</u>
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>10.553,10.555,10.556</u>	<u>Child Nutrition Cluster</u>
<u>84.027, 84.027A, 84.173A</u>	<u>Special Education Cluster</u>
<u>93.575</u>	<u>Child Development, Fed Child Care, center- based</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 473,450</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for programs:
Unmodified for all programs except for the School Accountability Report Card program which was qualified.

EAST SIDE UNION HIGH SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

None reported.

EAST SIDE UNION HIGH SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

None reported.

EAST SIDE UNION HIGH SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

The following findings represent instances of noncompliance relating to State program laws and regulations. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
72000	School Accountability Report Card

2013-1 Code 72000

Criteria or Specific Requirements

Schools are required to have annual facility inspections. Specifically, state law requires that the annual facility inspection be reflected on the School Accountability Report Card (SARC) in accordance with EC §33126(b). The Office of Public School Construction (OPSC) Facility Inspection Tool (FIT) or a locally developed instrument that meets the same legal requirements must be utilized during these inspections to determine if a school facility is in "good repair" and to rate the facility accordingly.

SARC disclosures concerning school facility conditions and the "good repair status" of facilities should use the most recent available FIT when the SARC is prepared. The year and month in which the data were collected should also be identified.

Condition

We tested three sites, Andrew Hill, Oak Grove and Santa Teresa. The school facility conditions are rated in nine separate categories. We noted, for the school sites selected, variances in the ratings between what was shown on the FIT versus what was reported in the SARC. Andrew Hill had two exceptions, Oak Grove had eight exceptions and Santa Teresa had four exceptions.

Cause

We believe this condition arose due to a timing and communication issue between personnel who prepared the FIT and personnel who prepared the SARC. The FIT is prepared at an earlier date than when the SARC is prepared and it appears that SARC personnel did not refer back to the FIT when preparing the SARC.

Effect

Information pertaining to school facility conditions as reported in the SARC is not supported by the Facility Inspection Tool in accordance with the Education Code.

Recommendation

The District should ensure coordination between those that prepare the FIT with those that prepare the SARC such that there will be no reported variances between the two documents.

Corrective Action Plan

Effective FY2013-14, the Facilities Department is actively involved in development of annual FIT and SARC documentation. That involvement includes establishing standardization of defined "facility areas" to be evaluated, refresher training every May to coordinate and prepare staff who will participate in completing that year's FIT report, providing assistance as needed in completing the FIT, reviewing and providing quality assurance on the annual FIT when submitted by site administration, and completing the SARC based on the FIT to ensure consistency between FIT and SARC reporting. The Assistant Director of Facilities and staff will provide final quality assurance prior to SARC submission.

EAST SIDE UNION HIGH SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

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